Austria	Sch26	Indonesia	[illegible]	Philippines	[illegible]
Bahrain	[illegible]	Iran	[illegible]	Portugal	[illegible]
Belgium	[illegible]	Israel	[illegible]	Qatar	[illegible]
Cyprus	[illegible]	Italy	[illegible]	S.Arabia	[illegible]
Denmark	[illegible]	Jordan	[illegible]	Singapore	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	Spain	[illegible]
Finland	[illegible]	Lebanon	[illegible]	Sweden	SKr12
France	[illegible]	Lux	[illegible]	Switz	[illegible]
Germany	DM2.20	Malaysia	Rm4.25	Thailand	[illegible]
Greece	Dr150	Morocco	[illegible]	Tunisia	[illegible]
Hong Kong	HK$12	Neth	[illegible]	Turkey	[illegible]
Hungary	[illegible]	Nigeria	Naira10	UAE	[illegible]
Iceland	[illegible]	Norway	NKr12.00		
India	Rs15	Oman	OR1		

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FOREIGN AFFAIRS

Soldiers, we still need you

Page 23

World News

Hanoi fails to pass on UK payments to returnees

The Vietnamese boat people forcibly repatriated from Hong Kong last December have still not received any of the $620 a head paid by Britain to the Government in Vietnam, a senior official in the port city of Haiphong said.

Britain made the payment as part of an agreement on forcible ejection of 51 refugees from Hong Kong, but it seems little of the cash is destined to reach the former refugees. Hong Kong's bus refugees and Basic law talks; Page 3

UN role in Cambodia

UN Secretary-General Javier Perez de Cuellar said a UN task force would be set up to help find a peaceful solution to the Cambodia civil war.

Bush arms proposal

The US invited Moscow to propose ideas on a second strategic arms treaty which go beyond the current negotiations to reduce superpower long-range nuclear missiles, Bush Administration officials said. Page 6

Pilots fined

The Australian Federation of Airline Pilots, which fought a disruptive pay dispute with domestic airlines last year, has been fined A$6.6m ($4.95m) by the Supreme Court in Victoria. Page 24

Soviets claim victory

Soviet trade unions have hailed as a victory a government decision to offer heavy compensation to enterprises hit by recent fuel and transport price rises. Page 24

Civil war warning

Chinese authorities warned of civil war leading to partition and economic collapse if the dominance of the Communist Party was eroded in favour of multi-party government. Page 3

Soviets in Brussels

A Soviet delegation arrived in Belgium for a unique visit to Nato headquarters and east-west security talks with officials of the alliance.

Wildlife threatened

Rescue workers and volunteers were working to save the lives of hundreds of birds after oil from a tanker spill last Wednesday swept into one of southern California's largest nature reserves. Page 8

Swedes drop ban

The Swedish Government abandoned its plan to ban all strikes until the end of 1991 in an effort to resolve the country's political crisis. Page 4

Turks open dam

Turkey started opening the floodgates of the massive Ataturk dam to release a vital flow of water to Syria and Iraq after a month's cut-off which dismayed its neighbours.

Greek coalition

Greece's all-party coalition Government would resign on Monday because of major policy disagreements, party leaders said. Page 4

Jewish emigration

A senior Soviet official said Moscow would not attempt to limit Jewish emigration, despite complaints in some Arab countries that it was supplying Israel with settlers for occupied Arab lands.

UK-Poland talks

British Prime Minister Margaret Thatcher met her Polish counterpart Tadeusz Mazowiecki and said both agreed that Poland's post-war borders should be protected by treaty if the Germanys were reunited. Page 4

Capital idea

Bonn could share with Berlin the functions of the German capital in the immediate years after unification, West German officials said. Page 4

Business Summary

Perrier share price drops 12% after scare in US

SOURCE Perrier's share price nosedived by 12 per cent on the Paris bourse after the group revealed that suspected contamination of its mineral water in North America would cost the company around $35.5m. Page 25

BRITISH Aerospace (BAe), UK aircraft manufacturer, faces potential claims totalling more than $70m from its partners in the European Airbus aircraft manufacturing consortium as a result of the prolonged strike at its Chester plant in England. Page 24

MARKETS: London equities fell amid fears that higher interest rates abroad were imminent, to close down 26.7 at 2,286.7. Sterling was little changed, while gilt-edged securities lost about a third of a point. Page 37

DALGETY, UK food and agribusiness group which makes Prime dog food, Golden Wonder crisps and Homepride flour, overcame a reduction in demand from McDonald's restaurants in the US to increase interim pre-tax profits by 10.4 per cent to $96.8m. Page 25

NORWAY'S centre-right three-party Government proposed legislation to make it easier for foreign banks to establish subsidiary and branch operations. Page 28

US Federal Reserve met executives of First American Bank and accepted their promise the bank would have no future dealings with the scandal-ridden Bank of Credit and Commerce International (BCCI). Page 6

GODFREY DAVIS, UK car dealing and laundry group, launched a $224m hostile takeover offer for Sketchley, the dry-cleaning and office services group. Page 25

POLISH real incomes fell by 36 per cent in January, the first month of the country's IMF-approved austerity programme. Page 4

UAP, Union des Assurances de Paris, the largest French insurance company, agreed to take control of Gesa, the Spanish assistance and emergency services group, for about $149.9m. Page 26

US airlines, Delta, Northwest, and Trans World, are to link their computer reservation systems, in a new joint venture called Worldspan. Page 9

BENETTON announced the sale of its 50 per cent stake in a joint insurance venture with Britain's Prudential Corporation in a move which begins a strategic retreat from the Italian clothing empire's somewhat controversial commitment to financial services. Page 26

VAUXHALL, UK subsidiary of General Motors of the US, reduced the market lead of its main rival, Ford, with strong sales of its Cavalier model last year. Page 10

SAMICK Musical Instruments, the South Korean company which is the world's largest exporter of pianos, is launching a $30m convertible Eurobond issue to finance the setting up of manufacturing bases in other countries. Page 28

SUPERMARKET operations of Singapore's Cold Storage Holdings are to pass to Goodman Fielder Wattie (GFW), the Australasian food group, in a complex asset swapping arrangement between GFW and Fraser & Neave (F&N), a local soft drinks conglomerate. Page 27

DIGITAL Equipment Corporation, world's largest minicomputer manufacturer, has secured its first base in east Europe with a venture to sell and service computers in Hungary. Page 9

Drexel seeks support to quell rumours of crisis

By Janet Bush and Anatole Kaletsky in New York

DREXEL Burnham Lambert, the aggressive Wall Street investment bank which created the $200bn junk bond market, said yesterday it was seeking a large investor or merger partner as it moved to quell rumours that it had hit deep financial problems.

Drexel, which last year pleaded guilty to six counts of securities fraud associated with its junk bond market operations, carries a large portfolio of the bonds, the value of which has fallen sharply in recent months. Junk bonds are high-risk investments paying high interest rates and issued mostly to finance takeovers or corporate acquisitions.

Junk bond prices fell a further 3 percentage points yesterday, amid fears that Drexel might be forced to sell some of its portfolio, coupled with a decision by RJR Nabisco, the largest single issuer of junk bonds, to withdraw a proposed $1.25bn issue.

A Drexel spokesman said preliminary discussions had already begun with a potential investor. However, Smith Barney, the Wall Street brokerage house which recently bought Drexel's retail business and was widely rumoured as a potential investor in some or all of the remaining parts of Drexel, issued a statement denying that further talks were currently under way.

There was considerable scepticism on Wall Street about the likelihood of an investor coming forward to buy Drexel.

Drexel chief Michael Joseph: champion of the junk bond

The losses on Drexel's bond holdings are thought to be large and, outside the junk bond market, its operations are thought to be barely profitable.

An even more serious problem for any potential investor would be the dozens of civil lawsuits which have arisen out of the US government's investigation into insider trading and other securities abuses by Drexel – which the company has been defending. The contingent liabilities arising out of these suits could be particularly hard to quantify.

Several analysts said yesterday that Drexel's statement might have been issued not because a merger or major investment was imminent but rather in response to the intensifying rumours of a liquidity crisis at the firm.

Drexel officials strongly denied any such crisis, although they said that unsettled markets, particularly in the high yield area, had adversely affected the liquidity of its parent company, Drexel Burnham Lambert Group, and that senior managers were taking action to maximise liquidity and bolster its cash position. The firm said it faced no immediate capital shortage. It noted that its parent had shown net worth of more than $800m at the end of 1989 and that the securities subsidiary, Drexel Burnham Lambert Inc, continued to have "good liquidity and satisfactory excess regulatory capital."

It was not clear yesterday whether Groupe Bruxelles Lambert, Drexel's biggest shareholder, was prepared to provide additional capital.

Yesterday's announcement came scarcely a week after Drexel reported an after-tax loss of $40m for 1989. The company subsequently indicated it would have made a "nine figure" profit last year if had not been for losses in the junk bond market, a statement which implied net losses of at least $140m on the junk bond portfolio in 1989.

Continued on Page 24
Lex Page 24; Background Page 25; Wall Street markets, Pages 47 & 48

Waigel warns on monetary union

By David Buchan in Brussels

INTRODUCTION of the D-Mark into East Germany would increase unemployment, force factory closures and require creation of a social security system in that country, Mr Theo Waigel, the West German Finance Minister forecast yesterday.

But the Federal Government felt impelled to offer monetary union to Prime Minister Hans Modrow of East Germany today in Bonn, Mr Waigel told fellow EC finance ministers in Brussels yesterday, because the East German economy was already near collapse and 63,000 of its citizens had gone west in the past six weeks.

Mr Waigel promised that Bonn would consult its EC partners fully on the steps to German monetary union. But he gave no advance details of today's offer to "introduce the D-Mark into the currency zone of East Germany", except to say that it would involve conversion of the East German currency into D-Marks and the Bundesbank taking over monetary policy for both countries.

While Mr Waigel was in Brussels, Mr Karl Otto Pöhl, the Bundesbank president, was explaining Germany's position at the regular monthly meeting of central bank governors of the Group of 10 industrial countries in Basle, Switzerland.

According to monetary officials in Basle, many details of the proposed currency union have still to be decided, including the all-important rate or rates at which East German marks will be converted into D-Marks. The officials also noted that it was unclear how Mr Modrow would react to the Bonn Government's ideas.

In Brussels, Mr Waigel indicated that the West German authorities would want to go through East Germany's financial books before discussing details with East Berlin. However, German monetary union could not be achieved until East Germany's economy had moved "irreversibly" to legal protection for private property, free markets, and free trade unions, Mr Waigel cautioned.

Disquiet surfaced in ministers' comments afterwards. Mr Pierre Bérégovoy said the prospect of German monetary union made faster movement to European monetary union, and reinforcement of the European Monetary System's exchange rate grid all the more necessary.

Another vital issue, said Mr Jacques Delors, was who would pay for the costs of bringing East Germany into West Germany, and consequently into the EC.

Mr Waigel indicated that he hoped the Community would contribute and, as an incentive, he quoted with approval a recent Commission study showing that German monetary unity could raise the growth of Community gross domestic product by half a per cent a year.

British officials indicated that the UK, the second biggest net contributor to the EC budget, would not lightly shoulder the responsibility of any extra cost incurred by a hasty or rushed merger between the two Germanys.

Modrow in Bonn; E Germany's lukewarm reception; Mazowiecki and Thatcher discuss reunification; Page 4

Likud Party meeting breaks up in disarray as Sharon resigns

By Hugh Carnegy in Tel Aviv

A KEY meeting of Israel's ruling Likud Party broke up in pandemonium yesterday following the sudden resignation from the Government of Mr Ariel Sharon, the leading hardliner, over proposed Israeli-Palestinian peace talks.

Mr Sharon, the former Defence Minister, surprised Mr Yitzhak Shamir, the Prime Minister, and the Likud's policy-making central committee by quitting the coalition Government, in which Likud shares power with the Labour Party.

He said he was resigning because the Government was encouraging Palestinian terrorism. However, Mr Sharon, Mr Shamir's main rival within Likud, has consistently opposed any concession to the Palestinians over the future of the Israeli-occupied West Bank and Gaza Strip.

The meeting's outcome was the most open split in Likud ranks for years, and hardened Israel's political divisions over Middle East peace moves. As the 3,000 party members packed into a Tel Aviv exhibition hall roared their divided response to Mr Sharon's resignation, Mr Shamir forged on with his keynote speech to alternate choruses of boos and cheers.

Yesterday's meeting was called by Mr Sharon, who until yesterday was Trade and Industry Minister, and two Cabinet colleagues, Mr David Levy and Mr Yitzhak Moda'i, to set conditions barring Mr Shamir from allowing the proposed peace talks to include any Arab residents of Jerusalem or Palestinians deported from the Occupied Territories.

Mr Shamir, anxious to face down the rebels and keep the peace process and the fragile coalition with the Labour Party alive, instead sought a vote of confidence that would not tie his hands.

But as his supporters rose to their feet yelling assent, Mr Sharon shouted his motions through another microphone to a rival crescendo of cheering.

Mr Shamir and the ministers backing him then marched off the platform, claiming they had achieved an overwhelming majority. It seemed that most present were behind the Prime Minister, but it was impossible to be certain amid the chaos. The Sharon camp also claimed victory.

Last night it was not clear what implications the meeting would have for the future of the coalition and the peace efforts.

On the question of who Israel will accept in a Palestinian delegation – which has become the key to further progress – Mr Shamir left open in his speech the issue of deportees. However he specifically ruled out the possibility of including Palestinians from Jerusalem, a vital Palestinian demand.

Labour Party ministers were due to meet late last night to consider their reaction. The first indications from Mr Yitzhak Rabin, the Defence Minister and pivot of the coalition, were that he did not favour any quick move to break up the Government.

Slowing the Middle East missiles race, Page 22

Thatcher heads for clash with EC over sanctions

By Philip Stephens and Our Foreign Staff

MRS Margaret Thatcher, the British Prime Minister, yesterday headed for a clash with other European Community (EC) countries by underlining her determination to respond to reform in South Africa with a progressive relaxation of sanctions.

Mrs Thatcher wrote to world leaders at the weekend stressing that the time had come to give encouragement to the Pretoria Government to pursue its reform programme following the release on Sunday of the black nationalist leader, Mr Nelson Mandela after 27 years' imprisonment.

In Washington, however, President George Bush said he would not lift any sanctions against South Africa until Pretoria met all conditions set by US law.

These included the release of all political prisoners, the lifting of the state of emergency and the repeal of the Group Areas and Population Registration Acts, which are considered to be the cornerstones of apartheid.

The British Prime Minister's call, which has provoked opposition in the Community and concern in the US, was rejected by Mr Mandela in his first public speech on Sunday, when he told a Cape Town rally sanctions must be maintained.

Speaking on behalf of Mr Charles Haughey, the Irish Prime Minister and current President of the EC Council of Ministers, Mr Brian Lenihan, the Irish Deputy Prime Minister, said Mr Mandela's release was no more than a start on the way to dismantling apartheid.

It would be "undesirable" for any EC member to breach the Community approach and ease sanctions on a unilateral basis, Mr Lenihan said.

In a letter to Mr Haughey, Mrs Thatcher asked for the meeting of EC foreign ministers in Dublin next week to agree on the lifting of some of the voluntary sanctions against South Africa.

She announced at the weekend that Britain would no longer discourage investment in South Africa, nor would it oppose tourism and other cultural contacts.

Officials said she would consider a further relaxation of sanctions if Pretoria moved further in the direction of reform.

The European Commission, however, is likely to recommend that sanctions are kept in place at least until the state of emergency has been lifted.

Mr Manuel Marin Gonzalez, the Commissioner for Developing Countries, yesterday said sanctions should remain in place until "the situation is sufficiently clear to accept that the end of apartheid is a reality."

Masterful Mandela, Page 2; Trumped by Mandela, Page 23

Mandela appeals to white S Africans

By Patti Waldmeir and Michael Holman in Cape Town

MR NELSON MANDELA, the newly freed leader of the African National Congress, yesterday appealed to whites not to fear black rule, and predicted an early start to negotiations with the Government on a new constitution.

At his first press conference in more than a quarter of a century, Mr Mandela set aside the uncompromising language of his first public rally, held in Cape Town on Sunday. Yesterday he chose to address a broad national audience which included not only whites but Chief Mangosuthu Buthelezi, the Zulu leader.

Mr Mandela's speech to the Cape Town rally, which had included an appeal for the intensification of armed struggle, alarmed Johannesburg financial markets yesterday.

The financial rand, South Africa's investment currency, fell by nearly 15 per cent in the first three hours of trading, though it later recovered to close 6.7 per cent down at $0.28. Gold shares were also affected, with the Johannesburg Stock Exchange all-gold index closing 3.6 per cent lower at 2,090. The effect was to reduce the value of gold shares in US dollar terms by around 10 per cent.

Tall and dignified, the 71-year old leader of the African National Congess (ANC) showed considerable mental

Continued on Page 24

CONTENTS

Sweden sticks to the middle, even as the walls come down

Mr Invar Carlsson, the Swedish Prime Minister, claims his country's neutrality has helped East European states towards self-determination but it is also the obstacle to full Swedish membership of the EC

Page 4

MARKETS

STERLING
New York lunchtime:
$1.694 (1.6965)
London:
$1.6960 (1.693)
DM2.8325 (2.835)
FFr9.6325 (9.6375)
SFr2.5325 (2.5325)
Y244.5 (245.75)
£ Index 89.4 (same)

GOLD
New York: Comex Apr
$423.68 (420.68)
London:
$419.25 (415.75)

N SEA OIL (Argus)
Brent 15-day Apr
$19.325 (19.175)

Chief price changes yesterday: Page 25

DOLLAR
New York lunchtime:
DM1.6708 (1.6685)
FFr5.6815 (5.6855)
SFr1.4975 (1.4902)
Y144.2025 (144.725)
London:
DM1.6695 (1.675)
FFr5.68 (5.6925)
SFr1.496 (1.4965)
Y144.2 (145.15)
$ Index 68.9 (67.1)

US Lunchtime Rates
Fed Funds $8\frac{3}{16}$% (same)
3-mo Treasury Bills:
yield: 7.955% (7.892)
Long Bond:
$102\frac{5}{32}$ ($101\frac{31}{32}$)
yield: 8.388% (8.332)

STOCK INDICES
FT-SE 100:
2,286.9 (-26.7)
FT Ordinary:
1,810.6 (-20.1)
FT-A All-Share:
1,145.18 (-1.0%)
New York lunchtime:
DJ Ind. Av.
2,630.86 (-17.34)
S&P Comp
331.44 (-2.18)
Tokyo: Nikkei
Exchange closed

LONDON MONEY
3-month interbank:
closing $15\frac{3}{16}$
Liffe long gilt future:
Dec $86\frac{31}{32}$ ($87\frac{3}{16}$)

Foreign investors take fright at Mandela stance

By Jim Jones in Johannesburg

FOREIGN investors' fragile honeymoon with the Johannesburg Stock Exchange (JSE) shivered to an abrupt halt yesterday as some of the implications of Mr Nelson Mandela's release sank in.

Investors began to take fright at the tone of Mr Mandela's speech on Sunday outside Cape Town's city hall and his repetition of the ANC's policy on nationalisation at a press conference in Cape Town yesterday morning.

By mid-day gold shares had tumbled on average by 3.5 per cent in rand terms, with the JSE's all-gold index dropping to 2,098 from Friday's close of 2,172. But as Mr Richard Strong of the Simpson McKie brokerage firm points out, the drop in *dollar* terms is much greater because the financial rand, South Africa's investment currency, crashed at one stage to \$0.27 from \$0.30 on Friday.

The overall effect, Mr Strong reckons, is that in dollar terms South African gold shares lost between 10 per cent and 15 per cent of their value in Monday's early trading session. Mr Richard Stuart, of broking firm Martin & Company, concurs and compares the fall in gold shares with the smaller losses by industrials.

"There are no buyers," he says. "The Americans have taken fright and are selling golds, pushing prices down." By early yesterday afternoon the JSE's industrial index was in the region of 3,154 or 0.8 per cent lower than its 3,178 close on Friday.

A week ago, after President F.W. de Klerk's announcement on February 2 that the ANC was unbanned and that Mr Mandela would soon be freed, foreign investors clamoured for South African industrial shares, reversing several years of steady divestment.

However, the JSE is particularly short of scrip, largely because local institutions are prevented by exchange controls from investing abroad, and local investors were unwilling to sell to eager foreigners.

Gold shares are driven by other factors and gold's present hesitation just above \$415 an ounce has added to American investors' discouragement, another Johannesburg stockbroker adds.

Yet another puts it bluntly: "If he [Mandela] carries on like this he'll quickly lose foreign financial support. Everyone had expected him to be moderate. Who does he think will invest here if the ANC nationalises everything?"

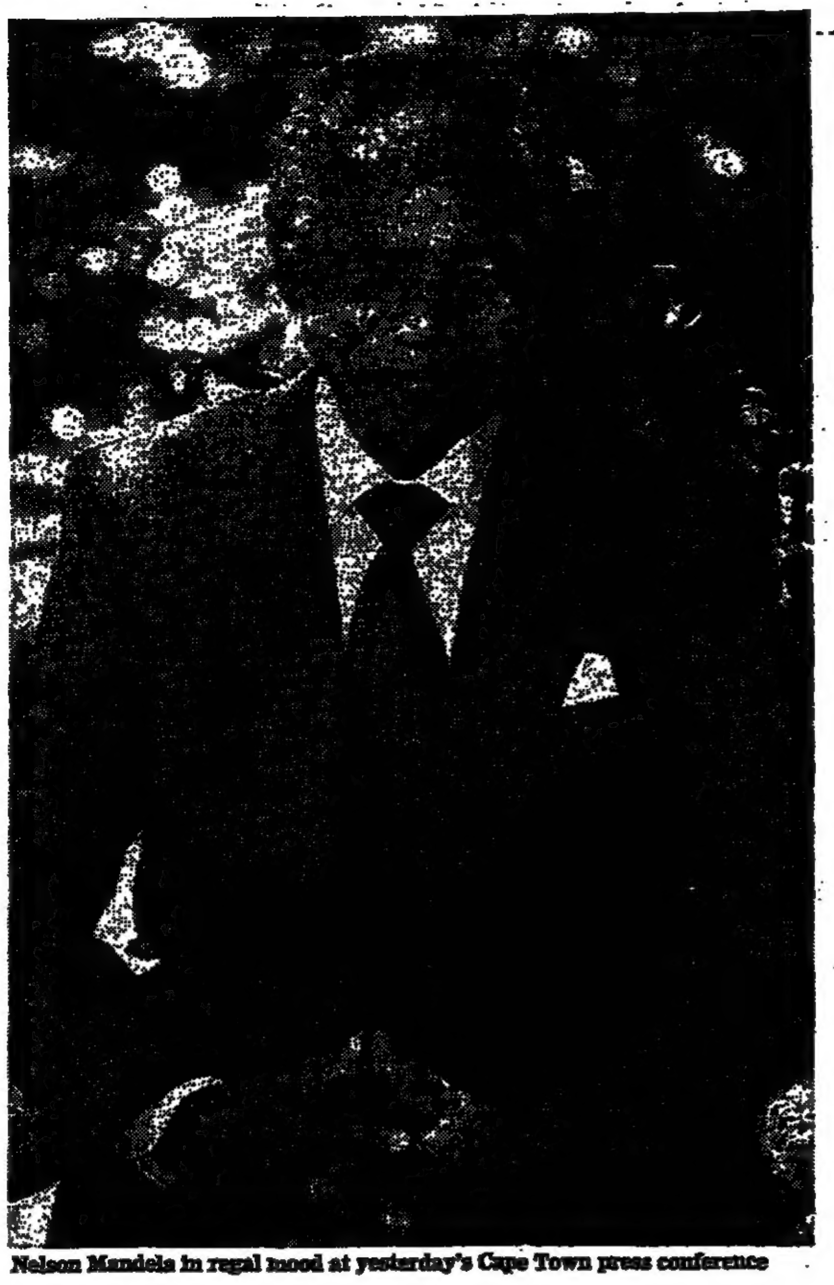
Mr William Bowler of the Fergusson Brothers brokerage house takes a longer-term view.

"Investors are understandably jittery, but we are only at the start of the negotiating process.

"The ANC's could well alter its nationalisation policies over the next few years as talks with the Government progress."

A masterful Mr Mandela charms the world's press

Patti Waldmeir and Michael Holman believe black South Africa's faith in him may not be misplaced



Nelson Mandela in regal mood at yesterday's Cape Town press conference

WHEN Mr Nelson Mandela stepped forward to meet the international press in Cape Town yesterday, amongst the hydrangeas of Archbishop Desmond Tutu's opulent suburban garden, he moved stiffly and descended the garden stairs with some difficulty.

But any image of frailty was soon dispelled. For the African National Congress (ANC) leader's first press conference in 27 years – and only his second encounter ever with a television camera – revealed a mind of extraordinary agility and subtlety, and a diplomatic skill which will be much needed in the weeks to come.

Faced with a solid wall of photographers and cameramen, and with about a 100 print reporters sitting cross-legged at his feet, the 71-year-old leader answered questions with poise and confidence, dodging pitfalls without appearing evasive, and always remaining succinct.

It was a masterful performance, the first sign that black South Africa's reverence for Mr Mandela – and faith in him as a leader – may not be misplaced.

Unfortunately for Mr Mandela's international image, however, he chose to deliver that performance a day too late.

For on Sunday, his first day of freedom, Mr Mandela had the chance to address tens of millions worldwide, and the crucial white constituency in South Africa, through live television transmissions arranged for his release.

Yet when the ANC leader stood before tens of thousands on the Cape Town parade, he chose to speak only to his party political constituency, stressing the importance of the armed struggle and making no real bid for racial reconciliation. His speech was uncompromising and uninspiring; and the spectacle of young activists running rampage on the fringes of the rally will have confirmed the worst fears of many whites.

Mr Mandela is unlikely ever again to have such a sterling opportunity to put across his message. But the press conference yesterday went a fair way to redressing the damage done on Sunday.

On several occasions, the ANC leader reached out to white South Africa, stressing that he sympathised with white fears at the prospect of black domination. "Whites are fellow South Africans and we want them to feel safe and that we appreciate the contribution they have made to the *development of this country,*" Mr Mandela said.

Asked whether the ANC was prepared to consider guarantees for minority (ie white) rights – a possibility which radical black activists rule out absolutely – Mr Mandela was conciliatory. Whites, he said, were insisting on what he called "structural" guarantees. "We understand these feelings and the ANC is concerned to ... find a solution which will suit both the blacks and the whites of this country."

Later he went even further, appearing to suggest that it was a question not of whether there would be guarantees, but of what form they would take. And he seemed genuinely delighted that so many whites had turned out to greet him on Sunday.

The ANC leader also reached out to a constituency which is potentially as important as white South Africa: 6m Zulu people, many of whom are represented by Chief Mangosuthu Buthelezi, leader of the KwaZulu "homeland".

Mr Buthelezi is rejected as a collaborator by much of the black opposition, and is blamed by the ANC for exacerbating violence in Natal, which has left 2,500 people dead in the past three years.

ANC leaders regularly issue vituperative statements about the KwaZulu leader which inflame relations between the two largest black groupings in the country. But Mr Mandela was not taking any cheap shots at him yesterday; he acknowledged Mr Buthelezi as an important political fact of life, and made clear that he recognises the importance of the constituency which the chief represents.

Mr Mandela also resisted another common ANC practice: verbal bashings for Mrs Margaret Thatcher, the British Prime Minister, who is far from popular among activists because of her opposition to sanctions against South Africa. The ANC leader made clear that he was taking her invitation to visit Britain seriously; his response showed an appreciation of diplomatic niceties which comes naturally to few of his ANC colleagues in exile.

Mr Mandela took every opportunity to stress his loyalty to the exiled leadership of the ANC, refusing to make unilateral statements about ANC policy and insisting on collective decision-making.

Given current tensions within the movement – and suspicion of the role played by Mr Mandela during negotiations with Pretoria before his release – the ANC leader was no doubt wise to stress that he is a party man.

He carefully skirted the issue of whether he would take over the formal leadership of the organisation from its ailing president, Mr Oliver Tambo. And he would not be drawn on an alternative proposal: that he should rise above party politics and attempt to act as a mediator in the talks.

Certainly, the anti-apartheid movement is in need of the kind of strong leadership – and cool head – which Mr Mandela exhibited yesterday. For the confusion and violence which attended the rally on Sunday were largely the fault of poor organisation on the part of the Mass Democratic Movement, the internal wing of the ANC, which insisted that it – and not the South African police – would handle Mr Mandela's security.

But if Mr Mandela came across yesterday as a dignified leader of considerable vision, he also charmed the international press – which was in less than welcoming mood following incidents on Sunday in which journalists had passports and cameras stolen, and confusion reigned.

He was clearly pleased to be able to put faces to the bylines he had been reading in newspapers for many years, and the voices he had heard on radio. Asked, inevitably, to describe his feelings on his release, he gave an answer which was disarmingly candid: "I must confess that I am unable to describe my emotions...It was breathtaking, that's all I can say."

Thatcher firm over sanctions policy

By Philip Stephens, Political Editor

MRS Margaret Thatcher may appear isolated to opponents in Britain and in other European countries, over her decision unilaterally to lift some of the sanctions operating against South Africa in response to the release of Mr Nelson Mandela.

But the message from her Downing Street office yesterday was unrepentant – Britain's prime minister was taking the lead, her aides insisted.

Over time, others would be persuaded to follow that lead. Until then Mrs Thatcher would not be deterred, and, if necessary, Britain would continue to take unilateral steps to support change in South Africa.

It is not a position with which everyone in her Government feels comfortable. There is widespread agreement among ministers that the South African Government must be offered "the carrot as well as the stick" by the international community.

Unless the South African Government is given encouragement, the argument runs, then it risks a "backlash" from the white community which could wreck the process of dismantling apartheid.

Officials and ministers allude repeatedly to the way the West has responded to Mr Mikhail Gorbachev as an example to the approach that should be adopted towards South Africa. The Soviet Union, they point out, is still an undemocratic society but that is not preventing Western leaders from offering their full support.

Even some of the Government's supporters, however, fear that Mrs Thatcher may have acted precipitately over the weekend, creating an unnecessary sense of isolation. The decision by Britain to lift the voluntary ban on investment and to end the policy of discouraging tourism in South Africa was followed quickly by a call by Mr Mandela for those very sanctions to be maintained.

The Prime Minister was forced to cancel a scheduled news conference, and the Labour Opposition made considerable political capital of the fact that her stance had been disowned by the ANC leader. There is also little expectation that other European countries will follow Britain's lead when foreign ministers from the Twelve meet in Dublin next week. UK officials conceded privately that South African President F.W. de Klerk would have to lift the state of emergency before other nations would consider following Britain's example.

For her part Mrs Thatcher is not yet seeking to overturn those sanctions – such as the United Nations arms embargo or the EC ban on imports of iron and steel – which Britain is legally obliged to accept.

Officials made it clear, however, that other voluntary sanctions – including a ban on exports of sensitive equipment and oil and a freeze on loans – could be lifted unilaterally if Mr de Klerk went further down the road of reform.

The Soviet Union yesterday welcomed the release of Mr Nelson Mandela, calling it an overdue step on the way to dismantling apartheid, Reuter reports from Moscow. "Together with all countries and peoples, we hail the release of Nelson Mandela," Mr Gennady Gerasimov, the Foreign Ministry spokesman, said. He said the release was "a step that should have been taken long ago".

ANC refuses to 'prolong the agony'

By Mike Hall in Lusaka

THE acting president of the African National Congress, Mr Alfred Nzo, yesterday acted decisively to temper the euphoria surrounding the release of Mr Nelson Mandela in a fighting speech to exiled activists in the Zambian capital.

"We must now move forward and intensify our all-round offensive against apartheid," he told hundreds of jubilant ANC combatants. "For this purpose our glorious people's army must be given all the necessary and possible assistance to enable it to enhance its combat capacity."

He warned that those who expected the ANC to abandon the struggle in favour of negotiations would be disappointed. Negotiations would not mean the end to apartheid, he said. The ANC was therefore obliged to continue the struggle until apartheid was eliminated. His tough stance was in contrast to his admission last week that the ANC did not have the capability to intensify its armed struggle.

He added yesterday that unless all *political prisoners* were freed and the state of emergency lifted, a unilateral cessation of hostilities would amount to surrender.

Mr Nzo called upon the international community to continue to isolate South Africa. Any relaxation would "prolong the agony" of the black majority. "We still insist on the imposition of comprehensive mandatory sanctions," he said.

Press told ANC armed struggle a 'defence act against the violence of apartheid'

Mandela emphasises commitment to peace

These are extracts from a press conference given by Mr Nelson Mandela to foreign and local journalists yesterday, the first since his release on Sunday

(Q) When President De Klerk announced your release... he said that after two meetings with you he had come to the conclusion that you were committed to peace. Last night you committed yourself to the intensification of the armed struggle. Would you care to comment?

(A) There is no conflict between those two statements. I have committed myself to the promotion of peace in the country, but I've done so as part and parcel of the decisions and campaigns which have been taken and launched by the ANC. There is no conflict whatsoever.

There is not a single political organisation in this country *inside and outside Parliament* which can ever compare with the ANC in its total commitment to peace. We... the armed struggle, is merely defensive. It's a defence act against the violence of apartheid, but we remain committed to peace. If the Government gives us the opportunity, if they normalise the situation, we are ready to make a positive contribution towards the peaceful settlement of the problems of this country.

(Q) The Government's new battle cry seems to be protection for minority rights and a new negotiated constitution. Do you detect, here anyway, group rights, and do you see any room for accommodation here between the ANC and the government.

(A) The ANC is very much concerned to address the question of the concern of whites over the demand of one person, one vote. They insist on structural guarantees, that is the whites, to ensure that the realisation of this demand does not result in the domination of whites by blacks. We understand those feelings and the ANC is concerned to address that problem and to find a solution which will suit both the blacks and whites of this country.

(Q) The Government has indicated that you are willing to act as mediator. Do you agree with... that term?

(A) Well, in a sense I have been acting as a mediator, because I believe the first step towards a solution of our problems is a meeting between the *ANC and the Government*. So I have been playing that role, but now that I am released, it is for the ANC to determine what role I should play.

(Q) What do you plan to enhance black unity in the direction of PAC and in the direction of Inkatha....

(A) No single person can undertake such an enormous task. It is the duty of the political organisations; in particular the ANC, to determine in what way can we increase the momentum of unity among black organisations and then give instructions.

(Q) What is your view on sanctions? And do you intend to take up Mrs Thatcher's invitation?

(A) Everything that we set out to achieve through sanctions is still the same. Nothing has changed. You must remember that the demand in this country is for a non-racial society. We are very far from that, and it is too early for anybody to expect us to call for the lifting of sanctions.

(Q) Will you take up Mrs Thatcher's invitation to visit?

(A) Well, an invitation from a British Prime Minister is something very important, and we cannot treat it very lightly. But on this question, I will be advised by the ANC.

(Q) Mr Mandela, you have told us of parts of your life in prison... (inaudible)

(A) I have lost a great deal over these 27 years. My wife has been under all sorts of pressure and it is not a nice feeling for a man to see his family struggling, without *security, without the dignity* of the head of the family around, but despite the hard times that were had in prison, we have also had the opportunity to think about programmes... and in prison there have been men who are very good in the sense that they understand our point of view, and they do everything to try and make you as happy as possible. That has wiped out any bitterness which a man could have.

(Q) Could you tell, on the basis of you talks so far, how close you feel you are to having a meeting with the Government, between the ANC and the Government.

(A) Well, I am very confident that that day is not very far. One thing I have been able to assess is that Mr de Klerk is a man of integrity, and as I said yesterday, he seems to be fully aware of the danger to a public figure of making undertakings which he fails to honour and I think that is a very promising sign. In my discussions with him, he has been very flexible, but as an organisation of course we are concerned not so much with the personal virtues of an individual. Our policy and strategies are determined by the harsh reality of the fact that is what determines our attitude. But I am confident that if Mr de Klerk is able to carry the National Party with him in the new line that he has taken that he himself wants to normalise the situation as soon as possible.

(Q) Of deep concern in Natal has been Gatsha's insistence that he has a very personal relationship with you... What will your public attitude now be towards Gatsha Buthelezi?

(A) That should be a matter of no concern. We have differences with Dr Buthelezi. Firstly, on the question of violence. Secondly on the attitude towards government structures. And thirdly, on questions of sanctions. These are a fundamental difference, but nevertheless, he is a figure with a following. It may not be as big and may not command as much resources as we command, but he has a following and it seems to me correct to try and settle problems in which he is involved amicably, and I wrote to him because I did not think it was correct that Africans, the blacks, should be killing one another, and that situation we must try and solve.

(Q) You have spoken a couple of times this morning of your sensitivity to the concerns of the white population. Have you modified in any way your views on the redistribution of wealth?

(A) No, my views are identical to those of the ANC. The question of the nationalisation of the mines and similar sectors of the community is a fundamental policy of the ANC and I believe that the ANC is quite correct in this attitude and that we should support it.

(Q) Mr Mandela, you have been talking a lot about the assurances that you'd like to give whites. Does mean that you would be prepared to compromise on the system of one man, one vote, maybe by having separate voter's rolls, things like that?

(A) No, I have said that I would not like to go into any specifics at this time. This is, however, a matter which is regarded as extremely important by the ANC. When we decide the actual structure of the guarantees, that might be developed at the time when we are addressing this question.

Japan airlines resent US 'gold rush' to Asian skies

Greater access to American market is sought to counter expansion by US airlines, writes Paul Betts

FT CONFERENCE

COMMERCIAL AVIATION IN THE ASIA PACIFIC REGION

JAPANESE airlines are campaigning for greater access to the US market and to establish North American hubs to counter the aggressive expansion of US carriers into the fast-growing Asia-Pacific region.

Mr Mitsunari Kawano, senior managing director of Japan Airlines (JAL), said he sensed rising resentment in Asia at the increasing penetration of US carriers. Speaking at a Financial Times conference on commercial aviation in the Asia-Pacific region, he added that the US continued to limit access to its market to Japanese and other international airlines while demanding total freedom for its own carriers.

He claimed there was now the equivalent of a US airline "gold rush" to Japan and other Asian markets, where growth is expected to be considerably higher than in the North American or European airline markets.

Following the latest round of US-Japan bilateral air transport negotiations, as many as 16 US airlines had filed for routes to Japan. American Airlines and United Airlines (UAL) have been especially aggressive, ordering large numbers of new aircraft to expand Japanese and Asian services.

US carriers have secured a 53 per cent share of the Japan-US airline market. Mr Kawano added that US carriers had almost the same number of take-off and landing slots at Tokyo's Narita airport for Asia-Pacific services as the airlines of Japan had to serve the world.

Mr Kawano said Asian-Pacific airlines should examine more closely the possibilities of an Asia-Pacific regional alliance or carrier grouping to help face the competitive challenges of the 1990s.

"Such a grouping could be crucial in the years ahead after January 1993, when the single European market comes into being, with the possibility of multilateral aviation negotiations between the EC and the US," he said, adding that Asian carriers were worried by a possible European "bloc approach" denying Asian airlines access to operate internal European services in much the same way as the US denies foreign carriers access to its domestic market.

Mr Lim Chin Beng, deputy chairman of Singapore Airlines (SIA), expressed similar concerns. SIA recently forged a trilateral partnership involving *co-operation and share swapping* agreements with Swissair in Europe and Delta Airlines in the US, he said.

But he also expressed worries about the impact of the recent events in eastern Europe on the Asia-Pacific region. He suggested the opening of the eastern bloc could have repercussions on Asian *growth and transport prospects* because Western countries could become less inclined to look to Asia and more interested in seizing new opportunities in eastern Europe.

Sir Colin Marshall, British Airways deputy chairman and chief executive, renewed his recent call for the setting up of a worldwide airline industry task force to try to find solutions to the problems threatening the industry, including air traffic congestion and inadequate airport and other ground infrastructure.

"The world's airline industry finds itself slowly strangling as it attempts to serve its customers in and with an infrastructure which was based largely on surmises and estimates made at the end of the Second World War," he said.

He argued that the key airlines of the world should band together to draw up an overall package of solutions, which they would then have to sell to the various regulatory and government bodies.

Dr Gunter Eser, director general of the International Air Transport Association (Iata), said everyone was paying for the lack of infrastructure in certain areas. "The lack shows up in delays. Worldwide, those delays are the equivalent of keeping 500 modern aircraft permanently grounded. To this we have to add the cost of personal delay. The total bill is in the tens of billions of US dollars every year," he said.

The Pacific Rim had already localised specific air traffic control capacity pressure points, particularly around Tokyo's Narita airport and to a certain extent over the Indian subcontinent. He added that the Asia-Pacific airport capacity problem was "very grave". An Iata task force had identified Tokyo, Osaka, Hong Kong, Bombay and Sydney as the most critical locations.

Although \$30bn worth of new airport capacity investments were under way in the Asia-Pacific region, including about \$15bn in Japan, Iata did not expect these investments to provide relief to Japan's air travellers during the current decade because of their long lead times.

While Japan will inevitably play a central role in the evolution of air transport in the Pacific Rim in the 1990s, China continues to hold the greater long-term potential despite the fall in business following last year's Tiananmen Square massacre. The Civil Aviation Administration of China (CAAC) is striving to improve and modernise China's airlines and airport facilities. Mr Lu Ruiling of the CAAC, claimed that the potential of the Chinese market was so great "that nobody can afford to lose or stay away from it".

He added that the CAAC was considering positively requests from a number of countries to start air services to China this year. He said China was giving priority consideration to neighbouring Asian countries. He claimed that by the year 2000, Peking, Shanghai and Guangzhou would become among the most important air transport centres in The Asia-Pacific region.

Air transport was a key to Hong Kong and confidence in the territory's future was crucial if airlines were to continue to invest in expanding services to and from Hong Kong, said Mr Peter Sutch, deputy chairman and managing director of Cathay Pacific Airways.

Asia had always been a place of political ferment, but this had not prevented steady economic progress in the longer term, he said.

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Hanoi still owes boat people UK aid money

By Roger Matthews in Haiphong, Vietnam

THE VIETNAMESE boat people forcibly repatriated from Hong Kong last December have still not received any of the $620 a head paid by Britain to the Government in Vietnam.

This was confirmed by Mr Hoang Xuan Dinh, a senior official in the northern port city of Haiphong.

The forcible ejection of 51 people from Hong Kong provoked a domestic and international row. Of these, 46 were from Haiphong and they arrived back in their home province of Haiphong soon after landing at Hanoi on December 12.

As part of the agreement with Vietnam, Britain paid the $620 a head on December 8, four days before the departure of the flight from Hong Kong.

The money took some time to arrive in Hanoi, but Mr Hoang said he knew that it had been in the capital for the past three weeks. He could not say when, or what proportion of it might be sent to Haiphong.

However, it seems that little of the money is destined to reach the refugees. Mr Hoang, deputy head of the External Relations Department of the People's Committee of Haiphong, who is looking after the welfare of returning refugees, said that a large part of the money would have to go on health care, education, and other basic requirements of the five families who account for the returning 46. The largest family has 16 members.

He said that it had proved difficult for the families to find work because, as fishermen, they did not have a boat. After meeting necessary expenses, there would be little money left for capital expenditure.

Mr Hoang suggested that the Hong Kong authorities could perhaps help. A large, new, fully equipped boat on which an entire family could live would cost an estimated $10,000, and a smaller one between $3,000 and $5,000.

However, Mr Hoang did pledge that the Vietnamese authorities were doing everything possible to prevent further departures by boat people. The Hong Kong Government fears that, when the direction of the prevailing wind changes, towards the end of March there will be a further large exodus.

Mr Hoang said that Vietnamese caught by the authorities trying to leave illegally would be brought back and punished. Local newspapers had also published more than 40 articles quoting boat people who had returned from Hong Kong in which they emphasised the futility of hoping for resettlement in a third country.

But he also stressed that the coastline of Haiphong province was dotted with small coves from which it was relatively easy to embark undetected. There was also evidence that more people were crossing into China by land and trekking closer to Hong Kong before acquiring a boat.

Last year, he said, an estimated 10,000 to 20,000 people had flooded into the Haiphong area from other parts of Vietnam, but Mr Hoang claimed the authorities were unable to send them back without proof that they were intending to flee to Hong Kong.

Non-official sources claimed that on at least two occasions last year crowded refugee boats had been seen leaving Haiphong port more or less openly.

Vietnamese officials added that they were wary of receiving large numbers of forcibly repatriated people because of the potential they had for causing problems.

UK and China fail to agree on democracy

By John Elliott in Hong Kong

BRITAIN and China have failed after nearly four weeks of talks to agree on the pace of democratic development in Hong Kong which Peking wants to lay down this week during the final drafting sessions on the Basic Law that will govern the colony after it returns to Chinese sovereignty in 1997.

The two countries are now engaged in what they hope will be a final round of talks to thrash out a solution before the Peking-dominated Basic Law committee produces its blueprint next weekend. The committee started its final six-day plenary session in Peking yesterday.

There will be a later opportunity for final amendments next week when the standing committee of the National Peoples Congress meets and when the Congress itself goes into session in a month's time. But the time for compromise is running out.

The differences centre on the number of seats in Hong Kong's legislature which the UK will allow to be directly elected when democratic development begins next year.

The aim is to agree on figures which would provide continuity by converging with those that China is prepared to adopt in 1997.

However Peking has refused to accept a UK proposal for 24 directly elected seats (40 per cent) out of 60 for 1995, which would continue through 1997 to 1999.

The UK is under pressure from Peking to agree to 22 or even 20. This could mean that the UK is only able to introduce 18 directly elected seats next year in order to leave room for further expansion in 1995.

Such a compromise is likely to be widely condemned in Hong Kong despite general lethargy over the Basic Law. An alternative would be for the UK to refuse to accept China's wishes and either to leave its 1995 decision till later or to go beyond what China is prepared to accept.

On balance it appears that the UK is unwilling to take a strong line of opposition because of the risk that China could retaliate by destabilising Hong Kong's fragile confidence.

HK urges action over 'bus people'

By John Elliott

HONG KONG has appealed to Peking to halt an unprecedented increase in the number of would-be refugees from Vietnam who are making most of their journey by bus through China before taking a short boat journey across the Pearl River delta to the British colony.

More than 160 of 180 who are now known to have arrived last month came by bus overland from the Vietnamese-China border near Mong Cai to three ports on or near the Pearl delta where small boats can be bought cheaply.

A large proportion of them are ethnic Chinese from Ho Chi Minh City, formerly Saigon. This contrasts with the past year when about 90 per cent have been ethnic-Vietnamese from the north.

The trend is continuing this month as the colony waits for the annual seasonal flood of new arrivals. In the past, most have earned the name boat people by making a more hazardous journey by boat across the South China Sea, sometimes calling in on Chinese ports for overnight stops.

The change has aroused suspicions that China is intentionally allowing the asylum-seekers to travel easily by public buses along its southern coastal roads to put political pressure on Hong Kong at a time when tensions between the colony and Peking are strained.

Officials say that they have no direct evidence of any official Chinese help. But Mr Michael Hansen, Hong Kong's refugee co-ordinator, admitted last night that a new problem had to be faced. "If the land border is proving open or porous then this is a source of very serious concern to us and we are drawing the matter to the attention of China."

Mr Angus Maude, a British Foreign Office Minister, arrives in Hanoi next weekend for talks aimed at securing agreement on the continuation of the mandatory repatriation programme.

Son of the Shah outlines strategy for taking power

By Scheherazade Daneshku in London

REZA PAHLAVI II has a new strategy for taking power in Iran. The 29-year-old son of the deposed Shah is spending the eleventh anniversary of the Iranian revolution in Europe to discuss it with supporters and opponents alike.

Known to his supporters simply as "the Shah" and to his detractors as "the half-Pahlavi" (a Pahlavi is an Iranian gold coin), he has decided the time is right for a new campaign. "We could easily push this regime aside," he told a private London audience, "but we need a political programme, otherwise there could be anarchy in Iran, as in Romania or even Lebanon."

The monarchist proposal is for the different opposition groups to put aside animosities in the interests of forging a united front. "We must bind ourselves to a political aim, so that Iranians know they have a political alternative," said the Pretender to the Peacock Throne. "We can't do it through sloganeering."

But what of the genuine political differences within the opposition grouping, which includes the communists, the Mojahedin-e-Khalq, liberal democrats and constitutional monarchists? And what of the overall divide between republicans and royalists?

Reza Pahlavi does not see these problems as insurmountable. When the time comes, he says, Iranians will be able to choose their system of government through a public referendum.

The monarchists have tried different ideas at different times: the formation of constitutional assemblies, an alliance with the Shah's last Prime Minister, Dr Shahpour Bakhtiar, and with another former Prime Minister, Dr Ali Amini. But all these came to nothing. What if the same were to happen with his latest plan, the young son of the Shah was asked.

He leaned back in his immaculate suit and tapped his expensive pen on the table for emphasis. "I don't see a better way, and we are very serious," he said, leaving the audience to wonder whether this is a strategy born of a new political strength or of weakness.

Policy paralysis halts NZ economic recovery

By Suzanne Smith in Wellington

NEW ZEALAND'S economic recovery has stalled and the credibility of its fast-track liberalisation programme is being undermined by apparent policy paralysis.

The once radical Labour Government has entered election year lagging substantially in the polls. Key economic indicators are moving in the wrong direction even before the recovery of the debt-burdened economy has really begun.

With growth limping along at an expected 0.5 per cent in the year to March 1990, inflation, which had fallen to 4 per cent midway through last year, had risen again to 7.3 per cent by the year-end. Interest rates, which had developed new downward momentum midway through the year, rebounded by year's end on the back of rising inflationary expectations.

To make matters worse there is every indication of an imminent blow-out in the balance of payments. A trade surplus of NZ$2.5bn (£880m) has plummeted to NZ$100m in the last six months. Forecasters expect the balance of payments to be in deficit by up to NZ$4bn, 6 per cent of GDP, by the end of next month.

The source of the trouble was a hastily concocted package of income tax cuts in late 1988. These were particularly kind to high-income earners, who went on a spending spree in the first half of 1989. This consumer spending spilled over into rapid import growth and foreign travel. The tax cuts, meanwhile, left the Government, already burdened by the weight of escalating welfare costs, with a yawning budget deficit.

Mr David Caygill, the Finance Minister, tackled this by increasing the rate of value added tax. But this sucked spending power out of the economy, angered low- to middle-income earners and pushed up inflation.

The governor of the newly-independent Reserve Bank will shortly be contracted to achieve price stability (defined as 0-2 per cent price increases) by 1992. With five-year bond rates at around 12 per cent, the market does not believe it.

At this point businesses can see no end to the economy's poor performance. Mr John Hood, chief executive of the Fletcher Challenge construction and property group, New Zealand's largest company, said recently that the activity in the domestic construction and civil engineering sector was a "disaster" and would remain so until big industrials decided to invest in plant.

Prime Minister Geoffrey Palmer, aware of the predicament, recently brought new blood into his cabinet but whether the new team can quickly co-ordinate policies to revive the economy is still not clear. The reappointment to the cabinet of Mr Richard Prebble, the former privatisation minister, may revitalise the asset sales programme; the announcement of the sale of Telecom is expected at any time.

The unresolved economic problems, notably the inflexibility of the labour market and the cost of the welfare system, go to the heart of Labour's internal squabbles, which have been damaging to the party's policies and its electoral hopes. While growth has averaged around 1.5 per cent a year, real incomes have been rising by more than 2 per cent a year since Labour came to power nearly six years ago. Registered unemployment has nearly trebled to more than 8 per cent.

Nearly 1m New Zealanders – about half the number in the total workforce – receive welfare benefits. To pay for them government expenditure has risen from 37 per cent of GDP to 42 per cent. The low growth-high debt economy of the early 1980s has swapped rising debt for rising unemployment.

China issues hardline defence of party's leading role

By Peter Ellingsen in Peking

THE Chinese authorities have warned of civil war leading to partition and economic collapse, if the dominance the Communist Party is eroded in favour of multi-party government.

In what is seen as reaction to Eastern Europe's shift towards Western-style democracy, Chinese leaders have re-asserted their stranglehold on power, claiming, in effect, that only the party can keep the nation intact.

"In China, without the strong leadership of the Communist Party, new turmoil and wars would surely arise, the nation would be split, and the people, not to mention state construction, would suffer again," a long editorial in yesterday's official Peoples' Daily argued, in what it described as an "important" statement.

The hardline editorial, like the paper's news columns, makes no reference to this week's decision by Moscow to consider ending the Soviet Communist Party's monopoly on power. But Western observers believe the statement, based on a document framed by the central committee on December 30, has been released to emphasise Peking's mounting alarm at Mr Mikhail Gorbachev's political reforms.

Despite the pro-democracy protests of last year, the editorial claims the leadership of the party has been "endorsed and supported by the whole nation, rather than proclaimed by itself". It says the unrest which ended with the army slaughtering hundreds, possibly thousands of civilians in Peking, was the work of an "élite" set on establishing a "bourgeois republic".

The editorial admits that China's "democratic system still needs to be perfected", but makes it clear that such gradual "political reform" can only occur via the continued dominance of the party.

IMF austerity programme begins to take a grip on Poland

By Christopher Bobinski in Warsaw

REAL INCOMES fell by 36 per cent in Poland in January, the first month of the country's IMF-approved austerity programme. This unprecedented decline has had a serious effect on the country's consumer industries although opinion polls suggest the Government is managing to maintain a significant measure of popular support.

The consumer price index rose by 78.6 per cent in the month compared with December. The processing industry saw sales fall by 16 per cent and the textile industry by 11 per cent last month. Industrial sales as a whole by fell by 10 per cent.

However, opinion polls carried out at the end of January indicated that the Solidarity-led Government's economic programme still had the support of 39 per cent of the population, a fall of five points compared to the end of last year. Twelve per cent were opposed to the policy, compared with 9 per cent before the price rises came in.

Nevertheless people did spend around $100m worth of their hard currency savings to make up for the decline in real incomes during the month. Companies too, squeezed by a 40 per cent monthly interest rate, had to sell around $1bn of hard currency reserves to meet running costs and wages.

The opinion polls suggested two-thirds of the population believed the present hardship was a prelude to a better future; a majority also believed that the Government would be in a position to hold back incomes growth for at least a year.

These figures could take a turn for the worse in the coming weeks, however, as large rises in the cost of home heating and rents take effect and lay-offs and bankruptcies begin in industry.

Even a company like FSM, which produces much sought after small Fiat cars, has already been forced to cut output because of a fall in demand.

The production decline in industry this month could reach 50 per cent.

The mood in the countryside is markedly worse than in the towns, with nearly 80 per cent of farmers, whose costs are failing to match food prices, declaring opposition to the Government's agricultural policies. This could well erode Solidarity's support in local government elections in the spring. Animal breeding figures have also fallen seriously, presaging a slump in meat supplies this summer.

Despite mounting difficulties with the domestic market, however, Polish companies do not appear to be finding outlets abroad. Exports as a whole tumbled by 16 per cent in January compared to the same month last year.

Moreover, the 90 per cent devaluation of the zloty against the dollar in the course of December has been eaten up by a matching rise in factory gate prices last month.

Mr Tadeusz Mazowiecki with Mrs Margaret Thatcher outside No 10 Downing St yesterday

BRITAIN and Poland yesterday agreed that German unification had to be accompanied by a guarantee by treaty of the inviolability of Poland's post-Second World War frontiers, writes Robert Mauthner, Diplomatic Correspondent.

The problem of German unification was one of the main items on the agenda of talks in London between Mrs Margaret Thatcher, the British Prime Minister, and Mr Tadeusz Mazowiecki, her Polish opposite number, who is on a three-day official visit to Britain. They also agreed that German unification had to take account of the need for security and stability in Europe and respect, in particular, the 1975 Helsinki accords.

During more than two hours of talks Mrs Thatcher offered Poland further economic and financial assistance and promised that Britain would support Poland's application for association with the European Community and membership of the looser Council of Europe grouping. The nature of the additional aid offered by Britain was not specified by officials, who said it depended on requests to be made by the Polish Government.

Mr Mazowiecki went out of his way to thank Mrs Thatcher for the aid already provided by Britain, including notably a £50m "know-how" fund spread over five years, bilateral aid totalling £15m for the improvement of agriculture and Britain's $100m contribution to an international stabilisation fund for Poland.

Stockholm abandons proposal to ban strikes

By Robert Taylor in Stockholm

THE SWEDISH Government yesterday abandoned its proposed ban on all strikes until the end of 1991 in an effort to resolve the country's political crisis.

Last Thursday the ruling Social Democrats announced their intention to freeze wages, prices, rents and dividends until the end of 1991 and ban strikes for the same period.

But faced with the likelihood of defeat tomorrow in Parliament, where it lacks an overall majority, the Government has backed down from its controversial measure to fine workers up to SKr5,000 (£485) a month if they strike against the wage freeze.

"The Government has misjudged the situation. We didn't calculate there would be such a strong reaction to our proposal," said Ms Mona Sahlin, the Labour Minister.

However, the Government added that it was not retreating from its commitment to a wage freeze. Various alternatives to a strike ban are being examined by government lawyers, including some form of compulsory arbitration.

"I hope at least one other party will now support us," said Mr Ingvar Carlsson, the Prime Minister, last night. "We want to continue to govern, not have a general election."

The Communists will probably throw their weight behind the Social Democrats now the strike ban is being dropped, but they also want to dilute the wage freeze next year in order to help the low-paid and this may still be too much for the Government to swallow.

Mr Carlsson had threatened to call an immediate general election if he failed to achieve parliamentary approval for the crisis package, designed to remedy the country's growing economic problems.

However, last night's sudden cave-in over the strike ban reflects panic in Government circles about the prospects of an early election.

The problem now is whether other parts of the crisis package, like the wage freeze, will unravel in the face of workplace pressure, with the danger that the Government will be unable to carry through the drastic steps needed to deal with the deteriorating economic situation.

There was some relief yesterday on Sweden's labour scene. The threat of a damaging outbreak of selective stoppages by Sweden's public service manual workers, due to start tomorrow, was lifted when their trade union accepted a 13-13.5 per cent pay increase.

However, industrial action by the local government white-collar staff looked likely yesterday when their union rejected an 11.3 per cent offer for their members. Further talks can be expected to try to avert a threatened stoppage.

But there were no signs of an early end to Sweden's crippling bank strike and lock-out now in its third week. On Friday, the Swedish bank employees' union turned down a third pay offer negotiated by mediators with the bank employers' organisation, BAO.

Union officials said they believed a settlement would have been reached by now if it had not been for the announcement of the government's austerity package.

The BAO has said the bank lockout would continue "until the union withdraws its partial strike threat." The union has threatened to withdraw the services of its members who work in the banks' foreign departments, and to ban overtime. The state arbitration board had offered to continue the negotiations.

Two Germanys play down Modrow visit

By David Marsh in Bonn and Andrew Fisher in East Berlin

THE BONN and East Berlin governments, feuding over West German plans for speedy unity, dampened expectations yesterday of a breakthrough in relations from the visit today of Mr Hans Modrow, the East German Prime Minister.

Chancellor Helmut Kohl will present Bonn's offer of talks on forging monetary union - a move which would also involve East Germany taking over West Germany's economic and social system. In view of the implications for East Germany's own political sovereignty, Bonn officials do not expect a concrete response from Mr Modrow.

One pointed out that Mr Modrow was only an interim leader, ahead of the March 18 elections. "He could either decide to set up a commission, or he may say there is no way of discussing such a question during his period of office."

Some officials believe the parliament elected next month could make an immediate demand for East Germany (apart from Berlin) to be integrated into the Federal Republic, under the "accession" clause 23 of the latter's constitution.

Others are much more cautious, warning that a strong Social Democrat showing in the elections might lead to East Germany taking a more negative line than expected about introducing the West German legal and economic system wholesale.

East German comments from East Berlin ahead of Mr Modrow's visit stressed scepticism about the monetary proposals. Mr Wolfgang Meyer, the government spokesman, voiced irritation yesterday that East Berlin had received no communication from Bonn over the plan, but had relied on the media for news of the Chancellor's initiative.

At the regular round table meeting of the Government and opposition parties, East German politicians made clear their acute concern over the flood of people leaving the country. They urged West Germany to do its best to prevent a further destabilisation of East Germany.

Repeated at the meeting was a demand for West Germany to provide DM10bn-DM15bn for immediate help to the ailing East German economy. However, the Bonn Government has turned down this request, stating that East Germany must first bring in the necessary reforms to enable its economy to develop along free market lines.

Berlin suggested as joint capital with Bonn after unification

By David Marsh

BONN COULD share with Berlin the functions of the German capital in the immediate years after unification, officials said yesterday.

This could mean, for instance that government ministries would remain in Bonn, while parliament could convene in the new Bundestag building currently under construction in Bonn and in the Berlin Reichstag. The seat of the German presidency would, however, move to Berlin.

Although Berlin would bear the formal title of the capital of Germany, Bonn would remain seat of government – a formula designed to discourage revival of political centralisation seen during 74 years of ill-starred unity which ended in 1945.

The capital city question is just one of the issues which have suddenly acquired relevance after the Soviet Union's weekend agreement that carrying out unification is primarily a responsibility for the two German states.

There is doubt whether the idea of dual status between Bonn and Berlin could be a permanent solution. But Mr Kohl and his advisers are anxious to give the impression at home and abroad that the new German state will be run on strongly federal lines.

A Bundestag committee on inter-German relations last week spoke out in favour of moving the capital back to Berlin. The Government last week sent a shudder through the ranks of Bonn property developers by shelving plans to build a new Federal Press Office here. The Building Ministry, however, affirmed yesterday that a welter of other construction plans for new ministries and offices in Bonn were going ahead.

After Mr Kohl's Moscow visit attention has shifted to the arrival here today of Mr Hans Modrow, the East German Prime Minister. Officials make clear that details of harmonising economic policies and regulations between the two states – a condition for Mr Kohl's aim of extending the D-Mark to East German territory – will not be discussed.

Crucial to the Bonn plans is the idea of introducing in East Germany a West German-style social security system, the cost of which will be a heavy burden for West German taxpayers for several years to come.

As one Bonn official put it, somewhat brutally, yesterday: "If they bring in a social market economy as in the Federal Republic, it will be necessary to have unemployment benefit. There will be a lot of bankruptcies and closures, and a lot of unemployed people."

Mr Norbert Blüm, the Employment Minister, said in an interview yesterday that he aimed for unemployed people in East Germany to receive, as in West Germany, 63 per cent of their previous net income, or around DM750 (£278) a month.

Similarly, pensions would be raised to around DM840 a month. This compares with the present averge wage for East German workers of around 1,200 Marks (worth around DM200 at the present free currency rate), and pensions of around 400 Marks (DM66)

Modrow: in Bonn today

EC toughens stance on money laundering

By Lucy Kellaway in Brussels

THE European Commission is set to approve tomorrow a set of measures aimed at making money laundering a criminal offence in Europe.

It is viewing the subject with increasing urgency, and seems likely to drop its original plans for a simple resolution on money laundering which would have put no legal obligation on member states to comply, in favour of a legally binding directive.

Sir Leon Brittan, commissioner in charge of the financial sector yesterday told a conference on money laundering in Brussels that the proposal would be as broadly defined as possible to include all kinds of places where large amounts of money changes hands including casinos and bureau de change. It would also cover more than just drugs, including dirty money of blackmailers, terrorists and arms dealers.

The Commission's proposals would put the onus on the banks to become increasingly vigilant about the final holders of accounts, and on spotting any suspicious transactions. Member states would be expected to make sure the financial institutions fulfilled their responsibility, passing on extra information to the authorities.

Sir Leon acknowledged customer confidentiality might suffer as a result of the plans, but said this was worth it in view of the seriousness of the problem.

Some officials feel a resolution would have little effect on countries such as Ireland, Portugal and Greece, where money laundering is perfectly legal. However, the disadvantage of a directive is it is much slower to implement, as it requires the approval of member states which may take some time.

Some countries doubt whether money laundering as a criminal matter is within the competence of the Commission, while others wonder if EC measures are needed in addition to action being taken by other international bodies in Vienna and by the G-7.

Turkey restores flow of the Euphrates river

TURKEY yesterday opened the gates of two diversion tunnels under its giant Ataturk dam on the Euphrates river to start releasing 500 cubic metres of water per second across its southern border to Syria and Iraq downstream, writes Jim Bodgener in Ankara.

The river had been choked for first stage filling of the dam for one day less than the scheduled month. Turkey's southern neighbours had pressed for a reduction in the filling period to limit damage to their economies.

According to Mr Cengiz Altinkaya, the Turkish Public Works and Housing Minister, the time saving was achieved by the release of 1.9bn cubic metres of water from the Karakaya and Keban dams upstream. Without this, filling the dam with the required 3.1bn cubic metres would have taken 45 days longer, he said.

Gorbachev warns of danger if party fails

By John Lloyd in Moscow

MR Mikhail Gorbachev, the Soviet leader, has told party officials that "if the Communist Party falls apart, the entire structure of society, its state and political institutions fall apart".

He urged the regional and local leaders not to "shun decisions" in the economic life of the country – contradicting his earlier calls for the Party to withdraw from economic management.

He justified the appeal by saying that "we have not formed managerial mechanisms that could solve problems affecting the day-to-day life of the people." His comments, at a meeting last week and reported only yesterday in Pravda, showed him as defensive, especially on party privileges.

He justified a recent decision to raise pay for senior party officials by saying that trade union officials had given themselves a pay rise – though he is aware that the issue of increased party pay is used by the Party's opponents in every election hustings in what is now, effectively, a multi-party race in republican and local soviets all over the country.

If he were in any doubt, he was told at the meeting by Mr S. M. Gerasimchuk, party leader of the Moscow Metro Party Organisation, that communist speakers are no longer listened to, or able to keep an audience's attention. "The main reason is the absence of practical skills of political struggle". In various regions, mass meetings are demanding resignations of unpopular local bosses.

Miners in the Ukrainian city of Donetsk plan to picket city and regional committees to force the resignation of local leaders, while thousands of protesters packed a stadium in Ulyanovsk, also calling on local leaders to resign.

● Mr Gorbachev has a 43 per cent popularity rating but only 22 per cent of Soviet citizens completely trust the Communist Party, Reuter reports from Moscow.

A Soviet magazine, Ogonyok, published the results of a nationwide poll by the All-Union Centre for the Study of Public Opinion as Communist Party chiefs continued to be forced from office by a wave of public discontent.

Ministers quit Greek coalition

By Kerin Hope in Athens

GREECE'S three political leaders yesterday withdrew their ministers from the all-party coalition government of Prime Minister Xenophon Zolotas after a disagreement over the timing of annual military promotions and a new tax reform bill due to be passed before elections set for April 8.

A new cabinet will be sworn in today which will supervise a vote in parliament this month to elect a new head of state.

A coalition of conservatives, socialists and communists has ruled the country since elections on November 5.

"We decided to withdraw our ministers from the Government. The reason is that there were many issues where we disagreed," conservative New Democracy party leader Constantine Mitsotakis said after meeting the Prime Minister.

He told reporters he agreed with Socialist leader Andreas Papandreou and Communist President Harilaos Florakis to support the Government until general elections were held .

Political influence is traditionally exercised in promoting and retiring senior officers in the armed forces and it appeared clear that the conservatives and socialists would be unlikely to agree.

The tax bill, designed to reduce tax evasion and broaden Greece's tax base, was welcomed by economists of all political persuasions but failed to gain support from the three political leaders.

Mr Zolotas said that 19 ministers and alternates belonging to the parties were to resign and a caretaker administration would be sworn in today.

Hungarian minority suffers setback in Romania

By Judy Dempsey in Bucharest

THE FUTURE status of Romania's 2m-strong Hungarian ethnic minority suffered a setback at the weekend after Mr Mihai Sora, the Education Minister, postponed a decision which would have given the minority the right to its own Hungarian language schools.

Following the December revolution, Mr Sora had agreed that the Hungarian minority, the largest in Europe, would be granted their own schools and full ethnic rights which had been suppressed under the Ceausescu regime.

But after demonstrations by more than 2,000 Romanians in the town of Tirgu Mures at the weekend, he backed down and said the planned separation of Romanian and Hungarian schools would be postponed for several months.

The demonstrators accused the Hungarians of "separatism", slogans which were used under the Ceausescu regime and which served to foster suspicion between ethnic Hungarians and Romanians.

The demonstrations, just one of several protests in recent weeks, were in response to moves by the Education Ministry to split up schools which had Romanian and Hungarian children but where all the children, regardless of the size of the Hungarian classes, were taught in Romanian.

The policy of merging Hungarian and Romanian schools and phasing out Hungarian teachers first started under the leadership of Mr Gheorge Gheorghiu Dej, Romania's ruthless Stalinist, and was implemented relentlessly by the Ceausescu regime.

In an attempt to assimilate the Hungarian minority, centuries-old institutions of learning such as the Hungarian Bolyai University in Cluj, the centre of Hungarian culture, were merged with the Romanian University.

Despite all the promises by the National Salvation Front that their ethnic and cultural rights would be restored, the Hungarians are sceptical. Such scepticism is reinforced by the ease in which the Front reverses policies when confronted with criticism or demonstrations.

The National Peasants Party opposes granting the Hungarians their own schools, and the media has given the Hungarians little opportunity to explain their goals

Sweden sticks to the middle, even as the walls come down

The end of the Cold War has done nothing to change a longstanding commitment to neutralism, writes Robert Taylor

AMID the turmoil of Europe one country is in no mood to re-appraise its traditional stance on foreign and defence policy.

"Sweden's armed neutrality is an all-weather policy. It is not an end in itself but it has served us well in keeping this country out of war for more than 175 years," says Mr Pierre Schori, cabinet secretary at the Swedish foreign affairs ministry and one-time chief adviser to the late prime minister Olof Palme on international questions.

He remains convinced that now is not the time for any radical re-appraisal of Sweden's traditional strategy, even though it conflicts with the country's economic self-interest of converging with the European Community.

The rapid end of the Cold War in Europe has so far done nothing to change the Swedish Government's long-standing commitment to neutralism. Indeed, ministers are more sure than ever that Sweden's position outside the power blocs provides an essential stability in the Nordic region.

Mr Ingvar Carlsson, Prime Minister, claimed on a recent visit to EC Commission headquarters in Brussels that it was the "calm relations" guaranteed by Swedish neutrality in northern Europe that provided the necessary conditions to enable the countries on the opposite side of the Baltic to pursue their own self-determination.

This is why Swedish neutrality – defined officially as "non-participation in alliances in peacetime aiming at neutrality in the event of war" – remains the unyielding obstacle to full Swedish membership in the EC, a point again emphasised during Mr Carlsson's latest visit to Brussels.

But as Mr Schori admits, "We decide and define what we mean by our neutrality." It is not enshrined in the Swedish constitution. Nor is it contained in any international agreement.

Indeed, the policy remains highly pragmatic. In 1962 and again in 1967 the Social Democratic prime minister Tage Erlander did not believe close ties with the EC were incompatible with Swedish neutrality, when he sought associate status for the country.

As long ago as 1972 Sweden signed a free trade agreement with the EC which remains in force, while the country is also involved in EC-based projects covering information technology and telecommunications. Nor does the country find any difficulty in being a member of the Council of Europe, whose current president is Mr Anders Bjork, a prominent Swedish Moderate Party politician.

However, Stockholm is studiously cautious about its relations with western Europe in the light of what is happening in the Soviet Union. In part, this reflects continuing Swedish anxiety about the permanency of President Mikhail Gorbachev's reforms.

Mr Schori for one does not seem convinced that Soviet perestroika and glasnost are necessarily here to stay.

"You can't base your security on speculations," Mr Schori says. "Perestroika has opened up opportunities for the Baltic states to achieve greater autonomy and self-determination and we are extremely active at many different levels in developing bilateral contacts with them." But Sweden is making sure that none of this provokes the Soviet Government and is in line with Moscow's approval. The country has established offices in Tallinn and Riga but both are under the direction of the Swedish consulate in Leningrad.

Last November Sweden's foreign minister, Mr Sten Andersson, damaged his recently-won world reputation as a mediator when he suggested on a visit to the Baltic states that they had not been "occupied" by the Soviet Union in 1940. He was forced to back down from that opinion in the face of widespread public criticism at home but Mr Andersson was only giving voice to a well-known Swedish diplomatic trait of taking excessive notice of possible Soviet sensitivities.

"The Swedish Social Democrats liked it best when eastern Europe was stable under [Soviet leader Leonid] Brezhnev and [East German leader Erich] Honecker," said Moderate Party leader Mr Carl Bildt. "Then they could concentrate their moral consciences on Vietnam and Central America."

Such comments leave Mr Schori cold. Indeed, while Sweden may not have been at the forefront of those encouraging developments in eastern Europe, in the past year many Social Democrats have expressed their warm enthusiasm for what has been happening and even drawn comfort from it.

Sweden, in its recent budget, proposed to allocate SKr1bn (£100m) over the next three years to supporting developments in Eastern Europe, for example SKr300m for a joint project with Poland to clean up the Vistula River. The Government is also beginning to encourage Swedish industry to invest in the area.

Mr Schori warns that the optimistic talk of military disarmament in Europe has not yet led to tangible cuts. "There is a discrepancy between the political and military realities at the moment," he says.

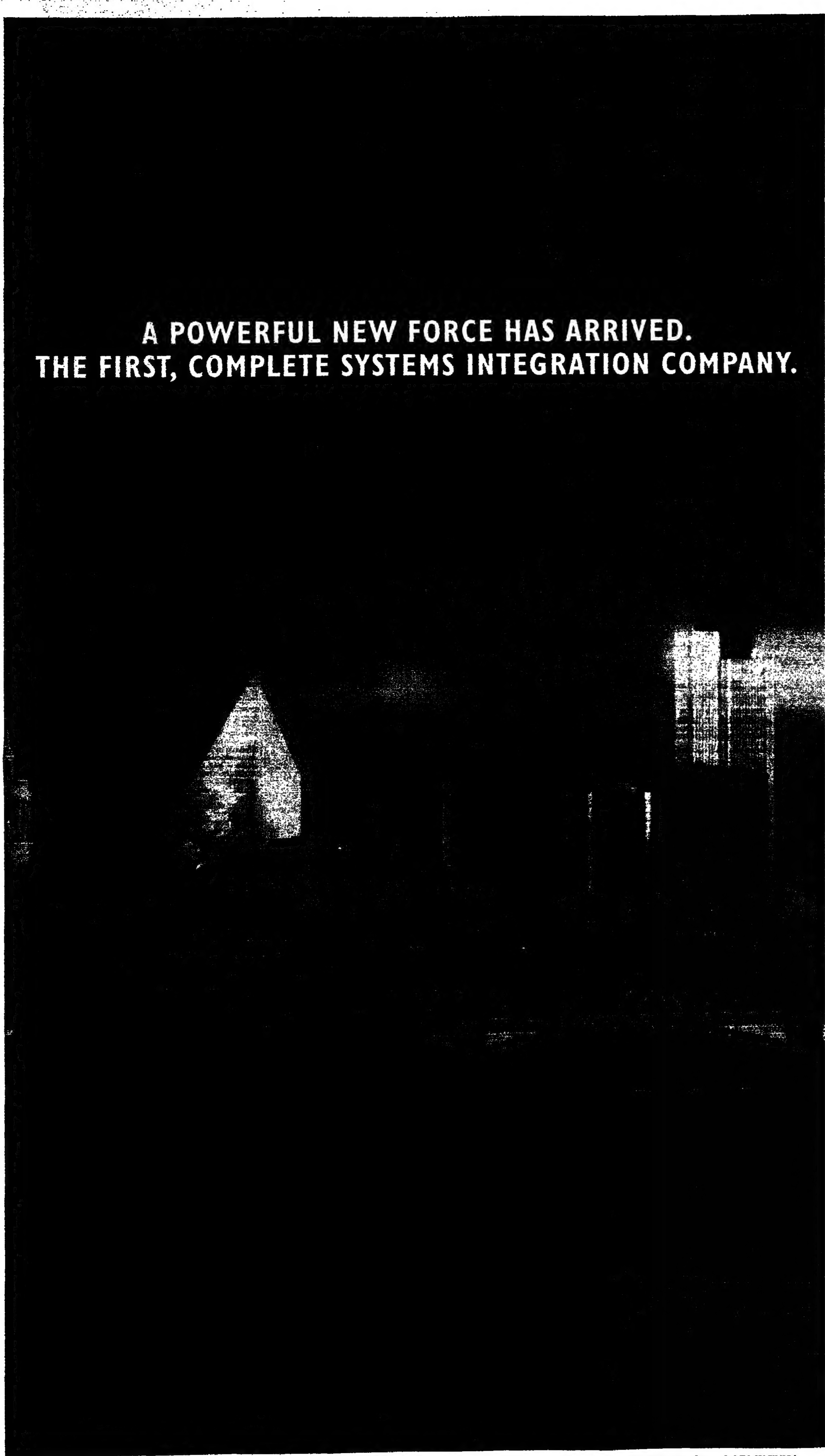
The Swedish Government is pressing for more ambitious arms reductions through the Vienna process. It believes the best way forward in Europe is to use the Conference on Security and Co-operation in Europe process that began in Helsinki in 1975 as a method not only to ensure the promised arms reductions but also to develop east-west economic relations as well as the encouragement of human rights and democracy.

Above all, Mr Schori and his colleagues are pinning their hopes on the creation of a "European Economic Space" which will bring the EC and the European Free Trade Association together after formal negotiations begin soon between the two economic blocs.

But Mr Schori, like his colleague Mr Andersson, often seems more at ease in discussing issues in the Third World than Europe. A fluent Spanish speaker, Mr Schori is deeply concerned about "the still bleeding wounds" in El Salvador and Nicaragua as well as what is happening in Cambodia. The moral causes beloved of Mr Palme continue unabated.

Mr Schori points to the long Swedish idealistic tradition that goes back to Dag Hammarsjkold, Raoul Wallenberg and Count Bernadotte – all martyrs to the cause of international peace.

"Our neutrality from the superpower blocs ensures we can remain an independent, mediating force in the world," he argues. "You can see this with our role in helping achieve a ceasefire in the Iran-Iraq war and in efforts to bring the US and the Palestine Liberation Organisation together. Could you really see a member of the EC being able to do all that?"



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Ford plant in Mexico to resume production

By Richard Johns in Mexico City

ALL 3,800 workers at Ford's motor assembly plant at Cuautitlán, Mexico, are to go back to work this week after a settlement reached late last week by the company, the Mexican Workers Confederation (CTM) and the negotiating committee representing 2,500 of the labour force.

With a phased return the plant should be in full operation by Thursday for the first time since January 8. Production was disrupted by an assault on workers who were in dispute with the CTM, which left one dead and seven seriously injured, and the subsequent occupation of the factory by the rebels. Output resumed on a *limited scale* at the beginning of last week.

Rescinding dismissal notices sent out on February 6, Ford has undertaken not to take reprisals against the dissidents or issue dismissals, has given guarantees for the safety of the *workers and agreed to the* removal of public security forces.

Both the company and the CTM have also acquiesced in election of a new workers' executive committee in what must be seen as a setback for Mexico's largest labour confederation, which has 5m workers.

The trouble rose out of rank-and-file discontent over the CTM representative imposed on it, Mr Hector Iriarte. A warrant has been issued for his arrest in connection with the January 8 affray.

The CTM was faced with a mass defection to the rival Confederation of Revolution Workers but the company was adamant in insisting that it would deal only with the CTM.

US bank gives Fed assurances over BCCI

By Alan Friedman in New York and Richard Donkin in London

THE Federal Reserve, concerned at an overlap in shareholdings between Arab investors in the scandal-ridden Bank of Credit and Commerce International (BCCI) and First American Bank, a Washington-based US bank, has met executives of First American and accepted their promise that the two banks will have no future dealings.

The meetings between the US monetary authorities and First American took place last month, at around the time that the US Government agreed to drop drug trafficking conspiracy and money laundering charges against BCCI in Tampa, Florida, in return for guilty pleas to drug money laundering by two subsidiaries, BCCI SA, of Luxembourg and BCCI (Overseas), of Grand Cayman. BCCI also agreed to forfeit $15m of laundered funds.

First American Bancshares, the holding company of First American, is chaired by Mr Clark Clifford, a former US Secretary of Defence. The biggest shareholder in the group is Mr Kamal Adham, a former head of Saudi Arabian intelligence. Mr Adham is also a shareholder of BCCI, registered in Luxembourg but run from offices in Leadenhall Street, London.

Sheikh Khalid Salim Bin Mahfouz, whose family has been trying to sell its BCCI shareholdings according to the bank, is also a member of the consortium that controls First American.

The US officials were looking for assurances that First American, which has 286 branches in seven states and $11.5bn of assets, was neither directly owned by BCCI nor used for any laundering purposes. Unlike BCCI, which only has agency status in the US, First American is a full service bank.

A senior executive at First American who asked not to be named said yesterday that the bank "is an entirely separate and different organisation from BCCI" and stressed that the only "connection" was having shareholders from the Middle East in common.

The Washington-based bank official acknowledged that in the past "there was some business done with BCCI, but it was very small, extremely small".

The First American executive confirmed that officials from the Federal Reserve requested a meeting "some time after the start of the New Year" and were reassured that "all of our representations were correct".

The BCCI affair, which climaxed in the guilty plea at the trial in Tampa, Florida, last month, was, according to the First American banker, "quite a sensational story that we keep getting dragged into".

Arab investors first bought *into First American* in 1977, when the bank was publicly quoted on the stock exchange. Mr Clifford stepped in when the SEC settled a suit by First American managers who accused the Middle East investor group of acting in concert *and violating US disclosure* rules.

Following the settlement the Arabs decided in 1982 to buy the whole of First American and take it private, with Mr Clifford coming in as chairman.

Conventional forces deal hits problems

By Peter Riddell, US Editor, in Ottawa

AN EARLY agreement on *reducing conventional forces* in Europe has run into problems over troop numbers and limits on combat aircraft.

In contrast with the almost euphoric tone of recent East-West diplomatic discussions, there was a note of caution in *Ottawa yesterday* as 23 foreign ministers from the Nato alliance and the Warsaw Pact countries met to discuss practical arms control and security issues.

Nevertheless, officials were working last night to ensure a positive tone to the statements this evening at the end of the two-day ministerial session of a conference called to discuss the Open Skies initiative on mutual aerial surveillance.

Both Mr James Baker, US Secretary of State, and Mr Eduard Shevardnadze, Soviet Foreign Minister, yesterday stressed the importance of divisions between them over aircraft limits, though they hoped this would not prevent signing of an agreement later this year.

The aircraft problem follows the concession last week by the US to exclude trainers. However, the Soviet side is insisting upon a ceiling which is 2,000 higher than the current total of 6,700 land-based Nato combat aircraft, and is seen by US officials as "a non-starter".

Mr Shevardnadze responded by urging the inclusion of naval forces and by suggesting an extension of the Open Skies initiative to Open Seas and Open Space, with an international space monitoring agency.

Differences have emerged within Nato over troop numbers in Europe. Following the revised US proposals two weeks ago that US and Soviet troops in central Europe should be limited to a maximum of 195,000 each (with a further 30,000 for the US and the rest of Europe), the Soviets countered last Friday with a choice of either 195,000 or 225,000 to ensure parity between the two sides.

Mr Baker originally hoped to offer a US response here but is now merely consulting before a decision is taken in Washington. This reflects partly differences within the Administration, but also varying alliance reactions. Britain favours the higher figure, while Italy among others is backing the lower one.

The meeting has been overshadowed by the changes in eastern Europe, with the attendance for the first time of several Warsaw Pact ministers from what are now non-communist governments. One senior British participant said it was like "a diplomatic festival or book fair".

Broad agreement has emerged within Nato over the future security framework for a reunified Germany. The main western powers are agreed that Germany should not be neutral and should remain a member of Nato and its command structure (with the US pulling back from last week's suggestions about an associate status), and that East Germany should not be militarised.

However, officials concede that several questions have still to be answered about whether nuclear weapons should be positioned in Germany and about the role of foreign troops. Moreover, Soviet spokesmen have expressed strong opposition to a unified Germany being a member of *Nato*. Mr Vitali Shurkin said the Soviet Union was concerned Germany should not be a threat to others.

Following this week's discussions, the main western powers have agreed that the future security arrangements for a united Germany should be discussed shortly after the East German elections of March 18.

There is also general agreement on the role of the 35-nation Conference on Security and Co-operation in Europe which will be held this year. A conventional forces treaty is likely to be signed there and discussions are also likely on the proposed security arrangements for Germany.

US looks to arms treaty beyond Start

By Lionel Barber in Washington

THE US has invited the Soviet Union to put forward ideas on a second strategic arms treaty which go beyond the current negotiations to reduce superpower long-range nuclear missiles, Bush *administration* officials said yesterday.

Mr James Baker, US Secretary of State, extended the invitation last week during talks in Moscow, where both sides moved within reach of a Start agreement slashing strategic nuclear missiles by 50 per cent. He did not, however, commit the US to a response.

President George Bush and President Mikhail Gorbachev are aiming to conclude an agreement in principle on a Start treaty in time for a June summit in the US.

Mr Baker's decision to raise the prospect of even deeper cuts in the superpower's intercontinental nuclear weapons may be intended as a way to influence the new Soviet five-year programme to develop strategic weapons.

But it may also be an effort to address concerns about the Start-1 treaty which have begun to surface in the US Senate, which enjoys the constitutional power to ratify or reject the treaty.

Senator Sam Nunn has voiced concern about the speed at which the Administration is moving to a treaty, and complained about "artificial deadlines" which obscure broader debate about future US nuclear strategy.

Mr Nunn, who chairs the Senate armed services committee, has urged the Administration to reconsider its current support of both the Midgetman and MX mobile strategic missiles under the Start treaty. In the absence of modifications to the US position, Mr Nunn forecasts that Congress may not approve funds for both missiles this year.

By talking about Start-2, the Administration may be trying to show it has a long-range game plan.

Collor faces tough homecoming

By Ivo Dawnay in Rio de Janeiro

MR Fernando Collor de Mello's nine-country trip ends today and the Brazilian president-*elect returns to a capital* whose politics are often as out of tune with the times as its peeling 1960s architecture.

The 40-year-old victor of December's presidential polls has received favourable notices from his foreign hosts who unanimously praised his promises of a modernised, streamlined Brazil, integrated into the world economy.

But he might do well to reflect on President Mikhail Gorbachev's recommendation that he enjoy his moment of glory before the gruesome task of governing begins.

When Mr Collor left Brasilia 19 days ago, the official inflation rate was nearing 55 per cent a month – it is now believed to be over 70 per cent. Gross interest rates in the overnight market last week exceeded a monthly 100 per cent for the first time.

And though, astonishingly, business still appears to be functioning, disorganisation – the current euphemism for ill-defined hyperinflation – appears nearer each day. A weekly magazine showed recently that one lipstick costs the same as six chickens, while a few tubes of suntan lotion are selling for the price of an oven.

The inflation rate is also having a dramatic impact on wages. As employees are paid at the end of each month with adjustments based on the previous month's price rises, real earnings are falling by 50 per cent or more in certain cases.

Consumers are also being allowed to buy direct from wholesalers and factories to avoid extortionate freight charges. But the common view is that no new steps – beyond a possible freezing of state tariffs – will be taken before inauguration day on March 15.

Gen Avril: criticised for actions against presidential candidates

Haitian leader's poll promises fail to convince

Canute James on the on-off story of elections in the Caribbean republic

HAITI'S military ruler, General Prosper Avril, has shown signs of confusion over how to deliver on his promises to allow political change in the Caribbean republic.

He is now trying to calm a political storm which he started with a *volte face* on plans to allow elections later this year and to hand over to a civilian administration a year from now.

Following the murder of a colonel of the presidential guard last month, Gen Avril, arguing that the country was threatened, declared a 30-day state of siege, deported some presidential candidates to the *US*, had others arrested and beaten, and censored the press. His actions were criticised at home and abroad and he lifted the state of siege after 10 days, saying the exiled presidential candidates would be allowed to return home.

After saying in a newspaper interview that because of Haiti's "economic crisis" the country was not ready for elections, Gen Avril now says the elections will be held.

Such inconsistent behaviour has lost him much credibility in the eyes of *Haiti's* few foreign friends and benefactors and has clearly embarrassed some. These include the US, which has repeatedly said the army leader offered the best chance for democratic reform in the economically depressed *country of 6m people. Since the* overthrow of the Duvalier dynasty four years ago this month, Haiti has been subject to army coups and has experienced an election of doubtful integrity.

Gen Avril has now confirmed the worst fears of increasingly cynical Haitians that the army has no intention of holding the promised elections and wants to hang on to power or to manage the voting to have a pliable president installed next year.

Gen Avril has been pushed towards elections mainly by the US, which has promised to restore financial aid after a civilian government is in place.

US aid, important to the country's economy, was suspended in late 1988 after armed gangs, with the *tacit* support of the army, murdered 34 people waiting to vote in a presidential election and forced the cancellation of the election. The US is giving Haiti $41m this year in humanitarian aid, distributed through private, voluntary organisations. Gen Avril now seems to have been abandoned by Washington. The US State Department, reacting to the move against the presidential candidates, accused the army leader of threatening Haiti's transition to elected government.

Gen Avril's actions have indicated that, far from being in control of the country, he is in *effect a straw in the* hurricane of Haiti's politics. While several political parties are planning campaigns for the elections they hope will be held, the move towards political change is being opposed by senior army officers and hard-*line Duvalierists intent on* maintaining their privileges.

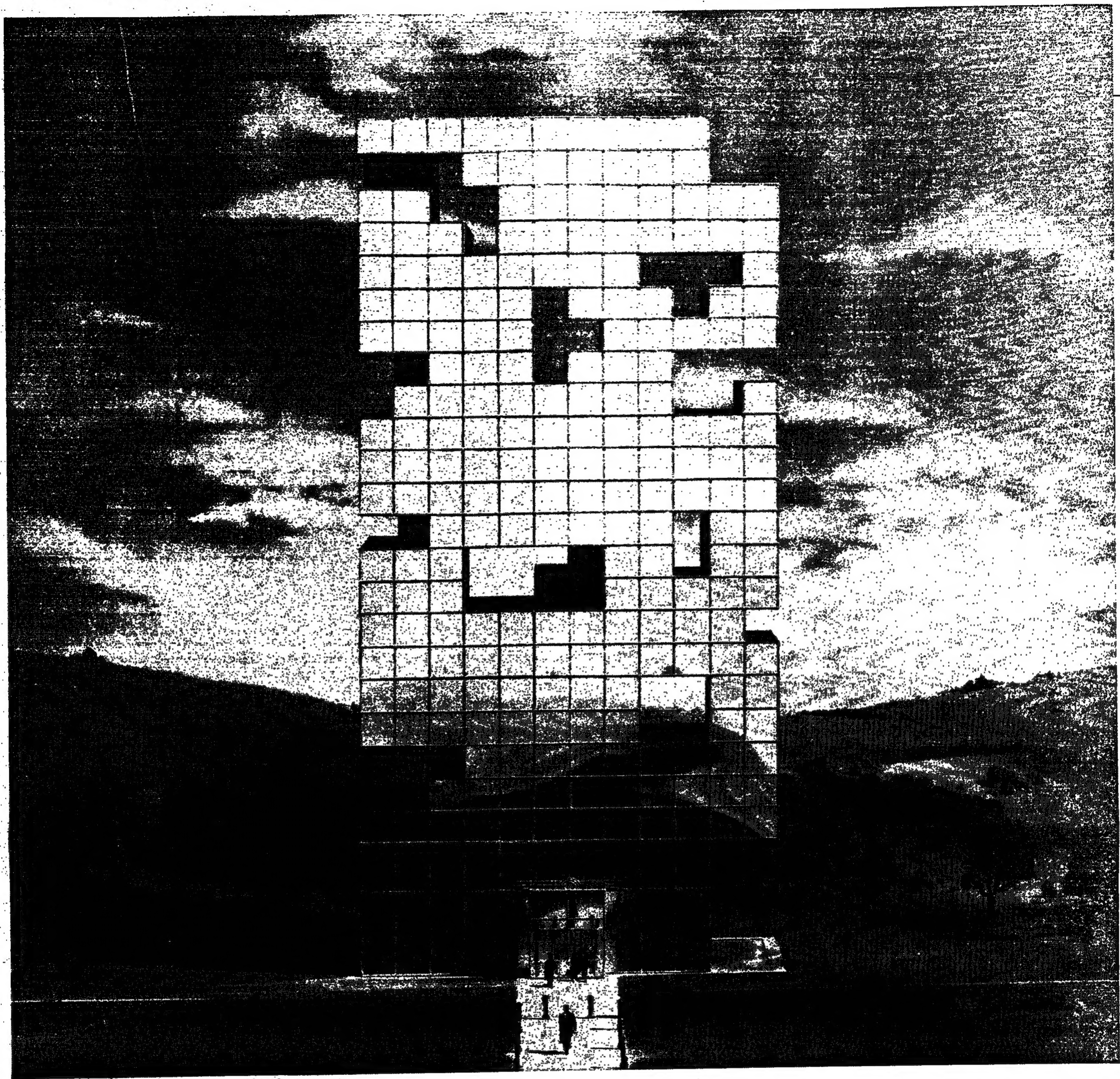
Mr François Benoit, who resigned as Haiti's ambassador to Washington to protest at Gen Avril's clampdown, concluded that the army leader has been under pressure. "I *think Gen Avril succumbed to* the far right and radical Duvalierist influence that surrounds him," Mr Benoit said in a radio interview. "He felt abandoned by the democratic sector, he felt under the gun, and, as a gut reaction, he reverted to his previous acquaintances and became totally under their influence."

According to Mr William Jones, a former US ambassador to Haiti, the US has little leverage on Haiti because it does not now provide any significant aid.

"The important thing is the extent to which Gen Avril can be convinced that it is in his interest to hold the elections," said Mr Jones. "He would have to be shown that it would be in his personal interest – not just in the interest of the country – that the elections be held."

Mr Marc Bazin, a conservative and former World Bank technocrat who is considered a front-runner for the presidency, and two other contenders – Mr Dejean Belizaire, also a conservative, and Mr Serge Gille, a social democrat – have said they would not contest the election unless the Government released jailed opponents, allowed exiled leaders to return and changed the electoral timetable. The politicians *are also asking* the Government to allow the UN to supervise the elections.

If Gen Avril meets these conditions, he could bring some credibility to the elections. But there is much cynicism. "I do not think Gen Avril really cares what happens," said a Haitian businessman. "And even if he does allow fair and clean elections, nobody will accept the result because everybody has concluded that the voting will be manipulated."



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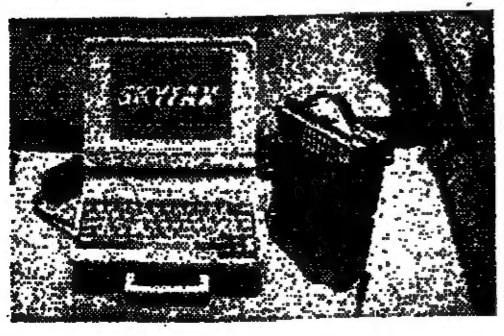

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AMERICAN NEWS

California oil spill impact grows

by Louise Kehoe in San Fransisco

THE ENVIRONMENTAL and political impact of last week's oil spill off the coast of Southern California has grown as crude oil has fouled beaches over a 13 mile stretch of the coast from Newport Beach to Los Angeles.

The US Coast Guard has revised its earlier estimates of the amount of oil that escaped from the American Trader, a tanker leased by British Petroleum, to around 400,000 gallons, from initial estimates of under 300,000 gallons.

In the days since the spill, the oil slick has grown to an estimated 12-miles-by-3.5-miles, despite efforts to contain it. Clean up crews reported that the oil slick was now shrinking, but the National Weather Service yesterday predicted winds increasing to 25 knots which could spread the spill.

Information from the National Oceanographic and Atmospheric Administration showed that 23 per cent of the spilled oil had been skimmed or picked up at sea as an oil-water mixture while 43 per cent had evaporated or naturally dissipated.

The unrecovered 34 per cent had spread out on the water and was nearly impossible to retrieve.

The American Trader's hull *is believed to have been punc*tured by its own anchor as it manouvered to unload its cargo of Alaskan crude oil into an undersea pipeline.

Divers patched the punctured hull of the tanker yesterday, but the Coast Guard says it will be at least another day before it can be docked.

The accident occurred just as President Bush had been expected to decide on the controversial issue of allowing increased off-shore oil drilling in California. In light of the accident, he is expected to postpone his decision.

In California, the spill has rallied broad support for proposed state legislation that would place strict safety regulations on oil tankers entering the state's harbours and offshore oil exploration operations within the three-mile limit of the state's jurisdiction.

On Saturday, Republican California Governor George Deukmejian argued that the tanker accident demonstrated the need for increased offshore oil development.

He said the arrival of tankers at California ports reflected the fact that California consumed twice as much oil as it produced.

However, the governor said he would sponsor a "thorough and complete investigation" of the causes of the accident, and require those responsible to pay the cost of clean up.

"Others have used this accident to renew their call for a total ban on future offshore oil development," Gov Deukmejian said. "If we want to reduce oil tanker traffic into our state, we must increase - not decrease or ban - our efforts to produce more domestic energy, both on and off our coast."

US fur retailers lick their wounds

Karen Zagor sees how oversupply, weather and publicity are hurting

Aspen Colorado, a favourite haunt of the international ski set, will today decide whether selling fur should be a criminal offence. The city, once home to rugged mountain men, has already banned the sale of fur caught in leghold traps.

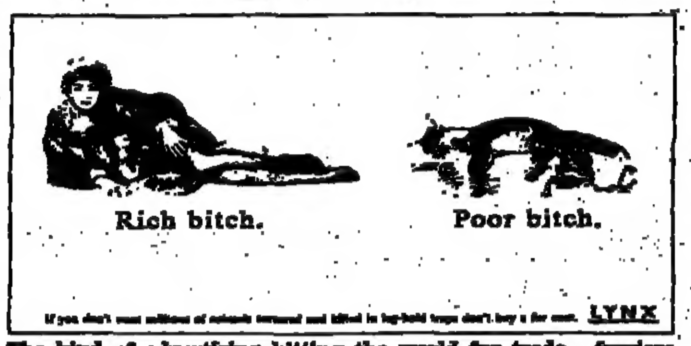
US anti-fur activists are flexing their muscles after several recent perceived victories. Last week, Fur Vault, one of the three publicly-held US fur companies, said it would sell its retail fur business to South Korea's Jindo Corporation for no more than $15m, resulting in a loss of between $12m and $16m in its fourth quarter, *depending on the final sale* price.

Antonovich, another one of the publicly-held triumvirate, filed for bankruptcy protection in late December. In its bankruptcy filing, the company claimed to have "serious cash flow problems" and "a significant amount of secured and unsecured debt that was about to come due." Antonovich reported a loss in 1988, as did Evans, the third big US fur retailer.

The Antonovich bankruptcy filing coincided with the most arresting US anti-fur campaign to date. Posters proclaiming: "Get a feel for fur. Slam your fingers in a car door," illustrated with a bloody paw caught in a trap, were plastered around New York, the largest fur market in North America.

The animal rights organisations are quick to take credit for most of the misfortunes of US fur retailers, but furriers blame their woes on warmer winters, overall weakness in US retailing and over-production.

Of the three, excess capacity and the ensuing price cuts has hurt the industry most. The fur industry is choking itself on a classic case of over-supply.



The kind of advertising hitting the world fur trade - furriers blame bad weather and overcapacity and not adverse publicity

World-wide production grew rapidly to meet increased American demand in the late 1970s and early 1980s and continued even after sales slowed.

Mink is the price leader of all furs, and the number of mink pelts produced worldwide was 43m last year, up from 16m in 1985, according to the Fur Council of Canada.

Prices have plunged as a result of this over-supply. At recent fur auctions in New Jersey and Toronto the wholesale price for a valuable Mackenzie River mink from the Canadian Arctic dropped nearly 50 per cent to about $34 a pelt, from $60 a year earlier.

"There is a world-wide glut of furs and real over-production," *said Mr Jack Neal,* spokesman for the US Fur Council.

"Producers and auction houses are buying furs and putting them into storage for two to three years just to get them off the market."

With Americans buying more fur than ever, according to the US Fur 93 Council, the fur industry is proving to be its own worst enemy.

Falling pelt prices have resulted in flat sales, in dollar terms, since 1986 when they plateaued at $1.8bn from only $565m in 1976.

The Fur Council of the US hopes to see some growth in 1989 thanks to a cold weather snap in December. The US took over as the leading fur market at the time that western European sales started to slump.

Canada, one of the world's biggest finished garment producers, shipped $160m to the US in 1988, compared with only $25m in 1982.

Shipments to Europe, on the other hand, plunged to $28m in 1988 from about $100m in 1980. Fur sales in Britain and Switzerland have dropped 75 per cent in the last five years. In the Netherlands, sales have plunged 90 per cent from 1982 levels, while West German fur sales are down 25 per cent.

Effective and often violent campaigning by animal rights activists in western Europe was largely responsible for the decline in sales.

In the US, on the other hand, public concern for animal rights is relatively new. The first Fur-Free Friday march down New York's Fifth Avenue was held after Thanksgiving in 1986. Celebrities are now getting involved in anti-fur campaigns, and Mrs Barbara Bush thought it wise to turn down a fox fur to wear at the presidential inauguration last November.

The US media have started to devote more attention to the fur controversy. The cover story of New York magazine's January 15 issue was about animal rights. In the same month Glamour magazine adressed the same topic.

According to Mr Del Haylock, of the Fur Council of Canada, animal rights activists have not yet had an impact on North American fur sales. "But we've seen what has occured in Europe, and we've taken an ounce of preventative measures," he said.

The preventative measures *include advertisements* which encourage women to believe that it is fine to wear fur.

Mr Haylock said the council has spent "not an insignificant amount" on its advertising campaign. The Fur Council of the US, a separate organisation, has spent $2m since the autumn on its advertisements which say: "Today fur. Tomorrow leather. Then wool. Then meat... After that, medical research. Even circuses and zoos."

Some furriers are convinced that the American love of individual freedom, which has strengthened the arm of the gun lobby for many years, will prevent the animal rights groups from denting in fur sales.

"We support the freedom of individuals to buy and wear fur. This freedom is not just a fur industry issue - it's everybody's issue," the US ads say.

However animal rights activists believe they will have the last word. According to Mr Dan Matthews, spokesman for People for the Ethical Treatment of Animals, "The Fur Council's ads are doing us good. They're shooting themselves in the foot by bringing attention to the subject."

Dominican Republic's Balaguer to decide on re-election

By Canute James in Kingston

President Joaquin Balaguer of the Dominican Republic will decide later this week if he will seek another term in elections which are due in mid-May.

The president, aged 83 and blind, is to consult doctors in the US this week. Government spokesmen said that Mr Balaguer will decide his political future based on the doctors' recommendations.

Mr Balaguer's vascillation over whether to stand has led his Partido Reformista Social Cristiano to delay consideration of the bid by Mr Fernando Alvarez Bogaert to be the party's candidate.

The delayed decision on the candidacy has also improved the chances of Mr Juan Bosch, a former president, who leads the Partido de Liberacion Dominicana.

Public opinion polls have given Mr Bosch a slight lead over Mr Balaguer.

DEC secures first base in eastern Europe

By Alan Cane

DIGITAL Equipment Corporation, the world's largest minicomputer manufacturer, has secured its first base in eastern Europe with a venture to sell and service its computers *in Hungary*.

The joint venture agreement will be signed today in Budapest between DEC and the Hungarian companies Szamalk, the country's largest computing services company, and KSzKI, the Hungarian Physics Research Institute. DEC, a US company, will have a 51 per cent stake in the venture, Digital Equipment (Hungary); its Hungarian partners, 24.5 per cent each.

Mr Cliff Clarke, DEC's corporate manager of international trade and policy, who took a leading role in negotiating with the Hungarian authorities said DEC was initially investing several million dollars in the venture. It was taking a long-term view of the association: "We do not see the prospect of quick business", he said.

The formation of Digital Equipment (Hungary) is the culmination of plans which DEC started to lay more than 15 months ago when the first hints of genuine change in eastern Europe became apparent.

Mr Clarke led a team of DEC managers and engineers to Hungary last year to open negotiations with the assistance *of the French Government*. DEC's operations for sales and marketing in new countries are based in Paris.

Agreements were eventually drawn up with the Hungarian ministries of finance and trade and industry.

The joint venture will operate as a sales and service organisation in the first instance, acting as a shop window for computers from DEC's Austrian subsidiary. It will be able to sell only small minicomputers (the microvax range) under conditions set by CoCom, the Co-ordinating Committee on Multilateral Export Controls, which monitors the movement of high technology systems to the east.

Review of the CoCom list is to begin at a meeting starting in Paris tomorrow with France and West Germany keen to see controls on computer systems relaxed so modern technology can be used to streamline unwieldy Eastern bureaucracies.

Mr Clarke said he hoped controls would be sufficiently relaxed by the middle of the year for the export of DEC's more powerful, mid-range machines.

Hungary's large and sophisticated computing community is elated by news of the venture which will allow it for the first time to use genuine DEC equipment rather than the obsolete, home-manufactured copies or "clones" they have been used to.

Three US airlines to link computers

By Paul Abrahams

THREE US airlines, Delta, Northwest, and Trans World, are to link their computer reservation systems, in a new joint venture.

The venture, called Worldspan, links the existing systems, known as Pars and Datas II. Delta will own 40 per cent of the new company; Northwest 33.33 per cent; and TWA 26.66 per cent.

Worldspan will compete in the lucrative computer reservation system market with, *among others*, American Airlines' Sabre system and United Airlines' Apollo system in the US, as well as the Amadeus and Galileo systems in Europe. Worldspan's revenues would have been about $400m last year.

At present, the combined services of Pars and Datas II have about 26 per cent of installations in the US, where the market is mature. Approximately 90 per cent of travel agents are linked to a computerised reservation system.

In Europe, where only 50 per cent of travel agents have such systems, Worldspan has about 7 per cent of the market, with 1,200 installations. It plans to win as much as 20 per cent over the next five years, in what *is expected to* be a rapidly expanding market.

Worldspan says it particularly plans to target travel agents in the UK, West Germany, Scandinavia, Italy and Israel. It believes agents want the choice of more than one system, and hopes to become the second most important travel information provider in its target markets.

Moscow aims to set up 5 Malaysian ventures

THE Soviet Union says it plans to establish five joint-ventures with Malaysian companies to promote trade and manufacturing, AP reports from Kuala Lumpur.

Mr Konstantin Peskov, a Soviet Trade Commissioner said yesterday in the Malaysian capital that one of the ventures had already been established while discussions for the other four were under way.

The trading company currently operating, Prodintern Malaysia, was established in October 1989. So far it has exported about 80,000 tons of palm oil to the Soviet Union. With a paid-up capital of 800,000 ringgit (£176,600) the company is a joint-venture between Prodintorg of the Soviet Union and the Kuok Brothers, Mr Peskov said.

The second joint-venture, Sovmal had been set up by Atomenergoexport of the Soviet Union and Sri Pulut. The company, with a paid-up capital of 500,000 ringgit, will be setting up a plant in three months to produce high-tech equipment for road construction and factories. It is also considering setting up a Malaysian restaurant in the Soviet Union as well as selling Malaysian handicraft there, Mr Peskov said.

In another development, two Soviet partners under the Ministry of Chemical and Petroleum Production are in the final phase of discussions with the Guthrie Group to set up a plant in Shah Alam near Kuala Lumpur to produce medical rubber gloves and other rubber products for export to the Soviet Union and Asian countries.

This joint-venture is expected to be finalized in 1990 and Moscow will contribute about 1m ringgit to the paid up capital of the new company.

The fourth venture involves the establishment this year of an eye hospital at Pulau Langkawi, 400km northwest of the Malaysian capital with Promet. Moscow is to supply the technology.

The fifth project, with an unidentified local company, would involve seismatic data processing studies and was still under discussion. The Soviet side would assemble the equipment for use in the seismic investigations.

Mr Peskov also said the Soviet Union was inviting Malaysian companies to set up 5-Star hotels in the Soviet republics of Uzbekistan and Estonia.

Heady days in the Chilean wine industry

A switch to fine wines has seen exports triple in four years, writes **Barbara Durr**

THE international market has "discovered" Chilean wine. Once considered a good cheap drink, it is now making its way more and more onto the tables of the world's wine lovers.

Chile has exported wine for two centuries, but traditionally its main markets were other South American countries.

The largest producer and exporter, Concha y Toro, can claim credit for establishing Chilean wine in international markets.

Wine exports have crept along over the years, with little modernisation of the industry. Old fashion wine-making processes prevailed, which has meant uneven wines, with scant attention to finer products.

Exports ambled up slowly from 229,400 cases, worth $1.5m, in 1970 to 804,300 cases, worth $8.9m, in 1985. But just four years later, in 1989, wine exports virtually tripled in volume to 2.3m cases and in value to $31.9m (£18.9m). Growth this year is expected to be 25-30 per cent.

Chile has now gained rank among what are known as the New World wines – those from Australia, New Zealand and California. The main export markets now are the US, Canada and Britain.

The critical difference has come with winery modernisation. "We had the soil, we had the grapes, everything but the technology," said Mr Agustin Huneens, export chief for the Errazuriz-Panquehue winery.

In fact, Chile has the distinction of having the only vines in the world that entirely escaped the dreaded phylloxera blight

that destroyed vineyards in Europe near the end of last century. It is believed that Chile's natural physical barriers – the Andes, the Pacific, icy *fjords* in the south and deserts in the north – protected its vines, most of which were imported from France.

The export boom has been fostered in part by foreign investment. Mr *Miguel* Torres of Spain bought a vineyard in Chile in 1979 and brought in substantial expertise from his Spanish wine business. He has since become one of the top 10 exporters.

But even as exports began to take off in the 1980s the focus was still not on the high end of the market. That is changing.

Founded in 1880, the Santa Rita vineyard typically exported little and existed as a landed gentry business. A century later, it was purchased by Mr Ricardo Claro, chief of one of Chile's largest economic groups. Mr Claro, with a $6m investment in 1985, modernised and launched an aggressive export marketing campaign.

Mr Rodrigo Buzeta, the director of Santa Rita exports and mastermind of its strategy, spotted a vacant niche in the market for medium-high priced fine wines and set out to fill it.

Concentrating less on domestic sales, Santa Rita moved from exporting just 25,700 cases, worth $347,400, in 1985 to 194,000 cases worth $4m in 1989. It is now Chile's third-largest wine exporter.

Red Cabernet Sauvignons have traditionally been recognised as the best of Chile's wines, but Sauvignon Blancs and Chardonnays have improved in quality in recent years and are said to hold great promise for 1990.

In recent years foreign investors have begun to home in on Chile's potential for fine wines. Baron Eric de Rothschild, owner of France's famous Chateau Lafite, bought half the family winery Los Vascos in 1988. He sent a technical director from France to improve the grape production and renovate the wine-making process. The result has been a spectacular upgrading of the wine.

Mr Jorge Eyzaguirre and his wife, Mrs Maria Ignacia Echenique, whose family has owned the vineyard since 1750, are the Baron de Rothschild's partners. Mr Eyzaguirre has now withdrawn Los Vascos from the Chilean market, where there is little appreciation for fine wines, and is concentrating only on foreign sales.

Another recent investor was Mr Alfonso Chadwick Errazuriz, a Chilean who settled into wine-making in California, creating Franciscan Vineyards there. He bought 50 per cent of Chile's small Errazuriz-Panquehue winery in 1983 and with a $1.5m investment in new equipment is gearing his fine wines to the American taste, but at the upper end of that

market.

The Chilean giant Concha y Toro has not been left out of the rush toward finer wines. It has brought out a new label at the top of its red Cabernet Sauvignon line, Don Melchor.

The lesson is that fine wines for export bring better profits and the market is secure. "It's like cars," said Mr Eyzaguirre. "The first may be a Fiat 600, but then you want to move up market. Once people learn, they want finer wines."

Canada prepares to do battle with Washington

By Robert Gibbens in Montreal

CANADA is preparing "an *arsenal of ammunition*" to deal with US "harassment" of Canadian exports following the Canada-US Free Trade Agreement.

Mr Donald Mazankowski, Deputy Prime Minister, said that under the FTA and the General Agreement on Tariffs and Trade Canada could use bans on specific US exports and countervailing actions or the appeal mechanism of the FTA itself. Canada has already filed two appeals under the FTA dispute mechanism and *another with Gatt*.

Mr Mazankowski said Washington's subsidy "war" and other aggressive actions against the EC and Japan had caused serious difficulties for Canadian agriculture and food processing.

Agricultural disputes are the most urgent because the US takes 30 per cent of Canadian pork and a large amount of its cattle and beef output.

Washington has placed countervailing tariffs on Canadian pork, and other disputes centre on Canadian dairy products. Canadian meat shipments are being subject to stepped-up border inspections.

Taiwan to import more China goods

TAIWAN is to open a further 59 kinds of industrial and petrochemical products to indirect import from China, the Board of Foreign Trade said yesterday, Peter Wickenden reports from Taipei.

Taiwan lifted a ban on imports of 50 items in 1988 and added 42 more items last year. Taipei stopped reviewing the list after the crackdown on the democracy movement in China last June.

Taiwan's indirect trade with China through Hong Kong is put at a record high of about $3.5bn in 1989, up from $2.7bn in 1988.

West German trade with EC up

By David Marsh in Bonn

THE importance of West Germany's trade with the rest of the European Community grew further last year, with 55 per cent of its total exports going to the EC, against 54 per cent in 1988 and only 51 per cent in 1986, according to the latest breakdown of the country's trade figures.

Emphasising how an investment boom within the Community contributed to the overall share increase in West Germany's *foreign trade last year*, the Federal Republic boosted exports to the EC by 14.5 per cent, while imports from the EC rose 13.6 per cent.

This compares with a 13 per cent increase in West Germany's overall exports last year and a larger 15 per cent rise in imports. The country's total foreign trade surplus increased from DM128bn in 1988 to DM135bn last year, with the surplus with the EC rising from DM80.8bn to DM94.2bn.

The largest increase in West Germany's bilateral trade surpluses within the EC came with France. Exports increased 18.5 per *cent against* a 13.7 per cent rise in imports, resulting in a surplus of DM24bn against DM18.2bn in 1988.

The French Government is traditionally highly sensitive to the bilateral trade balance with Bonn. However, in view of West Germany's 4 per cent economic growth rate last year, the sharp increase in the French deficit is attributable above all to far greater competitiveness of German goods – buttressed by the relative under-valuation of the D-Mark within the European Monetary System.

West Germany's trade surplus with Britain grew last year to DM24.7bn from DM22.4bn in 1988. The deficit with Japan rose to DM16.9bn from DM15.8bn.

General Motors reduces Ford lead in fleet sector

By John Griffiths

A SURGE in sales of Vauxhall's Cavalier range was mainly responsible for a sharp reduction in the gap between the subsidiary of General Motors, the US car manufacturer, and Ford, its main rival and the market leader, in the UK fleet sector last year.

Ford's share of sales to companies buying 25 vehicles or more fell by 4.02 percentage points to 40.79 per cent, while Vauxhall's jumped 3.99 points to 27.97.

The sector is very important for volume car producers. It accounted for 674,406 sales last year, 29.49 per cent of the record 2.28m total cars sold, and helps to underpin the total market at times when – as with the current high interest rates – demand from private buyers turns down.

Ford's Sierra range remained the best-selling fleet car in the UK last year with 104,571 sales, 15.51 per cent of the sector.

That was a 5.75 per cent fall on its 110,949 sales in 1988 when the range took a 16.99 per cent share of the sector.

By contrast, Cavalier sales to the sector increased by 38.57 per cent to 87,036 from 62,810, lifting the model's share from 9.62 per cent in 1988 to 12.91 per cent last year.

That reflects the revived success of the Cavalier as the result of launching a new version in late 1988.

Vauxhall's management says the increase would have been greater still had there not been supply constraints while production of the latest models was being built up.

Cavalier capacity is being expanded further this year and Vauxhall executives hope this will be the year the Cavalier knocks the Sierra from its market-leading perch.

Last year was a bad one for Ford in all areas of the fleet market. Its Escort, Orion, Granada and Fiesta models all lost market share, even though it launched a new Fiesta model in the spring.

However, although Ford itself regards the Escort and Orion as separate models, the latter is essentially a booted version of the Escort and the 101,726 sales of both combined also easily outsold the Cavalier as well as Vauxhall's Astra/Belmont range, which is directly equivalent to Ford's Escort/Orion and sold 61,012 units into the 25-plus fleets last year.

Of Vauxhall's entire range, only the Carlton executive car lost market share

Rover Group was another loser in the sector last year, its share dropping by more than 3 percentage points to 15.75 per cent from 18.89. Peugeot strengthened its fourth position, mainly on the basis of increased popularity of the 405, the rival to the Sierra and Cavalier.

UK FLEET SECTOR: MANUFACTURER RANKING

	sales 1989	%	sales 1988	%
Ford	275083	40.79	292631	44.81
Vauxhall	188652	27.97	156820	23.98
Rover	106214	15.75	123342	18.89
P/Citroen	41422	6.14	30833	4.72
Renault	23363	3.46	18153	2.78
Fiat	12026	1.78	10262	1.57
VW/Audi	10642	1.58	6804	1.04
Nissan	9567	1.42	8760	1.34
Volvo	2181	0.32	2018	0.31
Saab	1313	0.19	842	0.28

Source: Industry statistics

Belgians to resume van production

By Michael Smith

FORD, the vehicles manufacturer, said yesterday that production of Transit vans at Genk, Belgium, would go ahead today for the first time in two and a half weeks following an agreement with UK unions to move supplies out of the company's strike-hit Halewood plant.

Until today the Genk Transit plant has been unable to produce vehicles because body panels have been stranded in Halewood. Some 3,000 Belgian workers have been laid off.

The Halewood agreement, struck last week, meant that 40 of the Merseyside plant's employees, laid off for four weeks because of strikes by 550 skilled workers, could return to work yesterday to pack panels for Genk and transmissions for the company's Dagenham plant.

Shop stewards of the EETPU electricians' union, whose 1,600 Ford members have been on strike for a week, will meet tomorrow to decide their next move. Electricians at the Swansea plant are reported to have voted to recommend a return to work.

Ford said production at most of its 21 UK plants was close to normal in spite of the official EETPU strike and unofficial strikes by members at Halewood and Bridgend.

Dupont invest £40m in N Ireland plant

By Our Belfast Correspondent

DUPONT, the US man-made fibres multinational, yesterday announced a £40m expansion of its Lycra plant at Londonderry, Northern Ireland.

Continued high demand for Lycra, which is used extensively in lingerie, swimwear, jeans and hosiery, has persuaded Dupont to increase production capacity further, after a £35m expansion of the plant last year.

The project is being backed by the Industrial Development Board for Northern Ireland and will provide an additional 50 jobs.

Mr Peter Brooke, Northern Ireland secretary, said job-creation activities in Londonderry at present were an excellent example of what could be achieved by local government resources pulling together.

Mr Brooke said: "New developments, both industrial and commercial, have flowed from this. But, even more importantly, people in Londonderry now believe that it is possible to make the future work."

Mr Peter McKie, managing director of Dupont (UK) Ltd, said: "A multinational company like Dupont does not operate on sentiment, but on achieving profitability.

"And it is because the workforce has shown it is as good, if not better, than in our other plants worldwide which has led to this project and to the many previous expansions."

There are 29 US companies in Northern Ireland employing 9,500 people.

Kvaerner set to invest £11m in Clyde yard

By James Buxton, Scottish Correspondent

KVAERNER GOVAN, the Glasgow shipyard which was bought in 1988 from British Shipbuilders by Kvaerner, the Norwegian company, is to invest £11m ($18.67m) in facilities. It is also increasing its permanent labour force by 250 to more than 1,600.

Kvaerner Govan, which is receiving £3m in grant from the Scottish Office towards the investment, said that the level of investment "makes clear, once and for all, the long-term commitment by Kvaerner to the future of shipbuilding on the Clyde." The £11m is part of a total investment programme of £26m by 1992.

The £11m will be invested in an assembly shop for making large cargo tanks for the liquefied petroleum gas (LPG) tankers which Kvaerner builds at the yard.

It will be possible to build the tanks separately from the ships and enable the yard to exploit opportunities in the tank fabrication market.

Kvaerner Govan is building two LPG carriers and last summer won an order for a third. Sea trials on the second of two container ships, built for China, are taking place.

Mr Steinar Draegebo, managing director of Kvaerner Govan, said that the government grant made possible an investment that would not otherwise have met the company's strict commercial criteria.

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Sainsbury check out French-style cash tills

By John Gapper, Labour Editor

J. SAINSBURY, the UK supermarket chain, is testing a new type of checkout till which enables operators to pack shoppers' bags as well as scanning items of shopping. The experiment in a single store may be extended later this year.

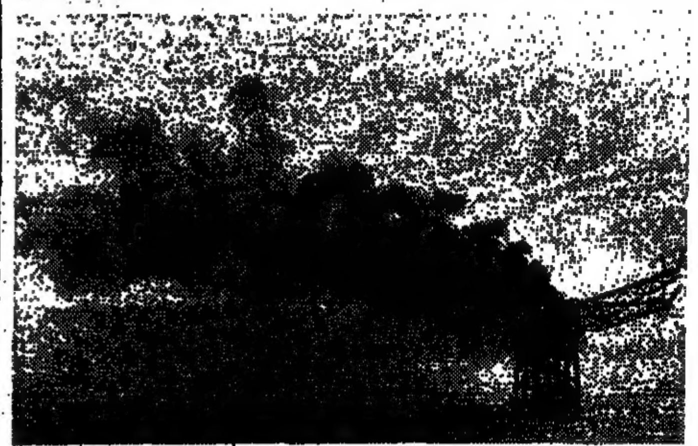
Six of the new tills, which reduce the average number of items scanned per minute from 21 to 14, have been installed in Sainsbury's store in Stevenage, Hertfordshire. A second experiment is expected at a second store.

The experiment is an attempt to adapt practices in some supermarkets in the US and France, where operators pack shopping rather than customers or goods packers having to do it.

The tills in the Stevenage store have been welcomed by customers – 75 per cent of shoppers who were surveyed said they liked them – but the company is still working on adjustments to make them more comfortable for staff.

Laser scanning equipment is placed upright on the new tills, so that an operator can pass items through the beam before placing them in bags which are held open on rails in a rear section of the till.

The new tills mean operators have to make bigger movements, and some have said they find it uncomfortable. The company is still working on adjustments to the height and design of parts of the till to suit staff.



Piper Alpha: focus of concern at 'safety defects'

Offshore oil safety criticised at inquiry

SAFETY standards in the UK offshore oil industry must be brought into line with those covering the Norwegian sector and industries on the British mainland, the inquiry into the Piper Alpha tragedy, in which 167 men died in July 1988, was told yesterday.

Mr Hugh Campbell, counsel for the trade unions, was outlining union recommendations to the inquiry, which was entering its final stage in Aberdeen.

He said fundamental defects on safety had been "able to subsist over the years by those who should have been monitoring the position." He accused the Department of Energy of "delays and inadequacy" in their response to implementing new safety measures. "It must cause the offshore worker the most extreme concern."

Quoting from Lord Justice Taylor's Hillsborough disaster report two weeks ago, he said: "Complacency is the enemy of safety. That sentiment applies equally or more to this inquiry."

He said vast sums of money had been lost in oil revenue following the shutdown which followed the disaster. "The costs to industry and the Government will run into billions of pounds. The human loss is too tragic to need further emphasis."

Mr Campbell said Norway employed 100 offshore safety inspectors for 50 platforms, but the Energy Department had only 45 inspectors to monitor 200 rigs.

"The figures are illustrative of the vast difference in approach between the two jurisdictions. The Norweigian system is an integrated whole. Their approach is the assessment of the whole entity from the moment of its conception to the time of its removal. Safety within the Department of Energy is not given a high profile."

Lawyers at the inquiry will complete their closing speeches to Lord Cullen, probably by Thursday. He will deliver his report and recommendations later in the year. The inquiry, which began in January 1989, has heard 5.7m words of evidence and produced 2.4m pages of paperwork.

Problems found in London's boom development

Docklands urged to help ethnic groups

By Alan Pike, Social Affairs Correspondent

THE LONDON Docklands Development Corporation is being recommended to adopt a radical programme to help ethnic minority communities share more equally in the area's economic growth.

A management consultants' report commissioned by the LDDC, which will go before its board next month, catalogues widespread disadvantage for black and Asian people living in the docklands area ranging across employment, education, training, housing, health and other issues.

Last year the corporation commissioned Fullemploy Consultancy – the consulting arm of Project Fullemploy, which specialises in economic development work among ethnic minorities – to study ways of increasing the proportion of docklands jobs taken by members of minority communities.

There is deep concern among East London residents, both black and white, that the growth of docklands is benefiting other parts of the capital more than the local community.

Fullemploy has spent several months consulting local authorities, voluntary organisations and residents about ethnic minority needs. The preliminary results of its research will be presented to a meeting of local organisations this week.

The consultation exercise has produced evidence of an array of problems and concerns facing minority communities.

The LDDC has established a £51m community development budget from which its efforts to overcome disadvantage among black and Asian people in the area will be financed.

Mr Suhail Aziz, Fullemploy's managing consultant handling the project, says he believes that "if the LDDC puts the same energy behind the social regeneration of the docklands area as it has behind the physical regeneration, it can make things work."

Fullemploy will be looking at the use of local voluntary organisations to help delivery services and is likely to recommend the creation of a network of new community centres, with transport to take people to and from them. At present many local Bangladeshis, particularly women, will not leave their homes at night to take part in social or educational activities because of the high level of racial violence in the area.

Fullemploy also sees scope for developing a range of local small businesses in sectors like computer repair, printing and security to support docklands office growth, provided training and business development needs are met.

UK NEWS

NEWS IN BRIEF

Companies 'lack skill' to succeed in E Europe

Managers with experience of working in Eastern Europe believe British companies lack the skill and foresight to succeed there, according to a survey carried out by Merton Associates, an executive search firm.

The survey of 200 managers found that 82 per cent believed that British companies were showing insufficient initiative in setting up joint ventures in Eastern Europe. Two-thirds said they did not believe British companies knew enough about the Soviet Union and other Eastern European countries. All the managers interviewed by Merton Associates had worked in Eastern Europe either on a full time or occasional basis. All are fluent in Russian or another Eastern European language.

Harland price fall

SHARE prices in the internal market of Harland & Wolff, the Belfast, N Ireland, shipbuilder, have fallen by 14 pence since dealing first opened last month.

B.W.D. Rensburg, the stockbrokers, appointed to organise the internal market, set a price of 90 pence a share to those employees wishing to place firm orders to buy or sell shares on February 21. It is the second opportunity the newly privatised companies have had to deal in the shares.

Welsh devolution

More than half the people of Wales now support a devolved assembly for the principality according to a recent poll.

The mood of the country as shown by the poll is in direct contradiction to the referendum 11 years ago when 79.7 per cent of those voting rejected proposals for an assembly with limited powers in Cardiff.

The result is much more in tune, however, with recent Labour party thinking, which has promised not just assemblies in Wales and Scotland but also in the English regions as part of a comprehensive reorganisation of local government. The government, however, remains opposed to any form of devolution.

Poll tax market

Girobank, the former post office bank, has spent £6m to try and capture the bulk of the cash payments sector of the poll tax market by offering a cheap handling service to local authorities. The total market is likely to be worth up to £200m a year in revenue between organisations offering such services.

The bank has set up a special unit and taken on 107 new staff so that people can pay the community charge in weekly, fortnightly or monthly cash instalments at any post office.

Payment slips will be processed in the bank's headquarters and magnetic tapes recording them supplied to subscribing local authorities and their bankers.

GrandMet changes

Grand Metropolitan, the food and drinks group, is to streamline its retailing operations, selling some 70 pubs, restaurants, and hotels, and cutting administrative staff by 300.

A further 170 smaller pubs will be transferred to the company's Inntrepreneur scheme which allows tenants to buy 20-year leases on the properties.

A GrandMet spokesman said the moves will bring "a significant saving" in retailing costs and central services.

The restructuring was foreshadowed last month by Mr David Tagg, chief executive of GrandMet Retailing, when he announced a 10 per cent decline in the pubs' trading profit. The setback had been caused by the consumer squeeze and management taking its "eye off the ball," he said.

CPS 'crisis' denied

Faults exist in the operation of the Crown Prosecution Service, but allegations it is in crisis and involved in a public feud with the police were nonsense, Sir Patrick Mayhew, the Attorney-General, said yesterday.

In a parliamentary debate on the legal services, he admitted the service had made mistakes, such as the failure to warn witnesses, which could have led to friction with the police.

Unionist MP dies

Mr Harold McCusker, MP for Upper Bann, N Ireland, and deputy leader of the Official Unionist Party, died aged 50. He had been suffering from cancer for more than a year.

Correction

An article on Short Brothers, the Belfast aerospace company, in some editions of the Financial Times on February 7, may have given the impression that John McBride, who was executed by the British Government as an Irish rebel in 1916, was the architect of the McBride Principles. In fact the principles were developed by his son, Sean McBride.

Fall in spending fails to dispel fears of inflation

By Rachel Johnson

OFFICIAL figures showing a fall in consumer spending in January failed to convince the City of London's financial institutions yesterday that the British were spending less as a result of high interest rates.

The Central Statistical Office said retail sales volumes fell 1.3 per cent last month. The City had been expecting a 1.5 per cent fall after December's revised increase of 1.9 per cent, the biggest monthly rise since last June.

The retail sales figures diverged sharply from Monday's CBI/Financial Times distributive trades survey, which appeared to show that December's spending surge had continued into last month.

While the official figures showed that spending slowed, conflicting explanations from government officials gave the City some cause for confusion.

The CSO said the data "could suggest some underlying new growth in sales." It took the unusual step of defining a consumer trend from an assessment of the two-month period to January, in which sales volumes were up a robust two per cent. Profit-taking from the water privatisation in December could have fuelled consumer spending, the CSO said.

The Treasury, however, said spending was on a downward trend. Retail sales in the three-month period to January rose only 1.5 per cent on the year, and grew at a slower pace in the three months to January than in the three months to December.

There was more agreement in the City. Mr Peter Spencer, economist at Shearson Lehman Hutton, the London securities house, said retail sales would continue to grow "modestly" despite high interest rates, as a result of high wage settlements. Mr Kevin Gardiner, economist at Warburg Securities, said: "Nothing in the data argues for an early cut in interest rates."

Equities fell, amid fears that higher interest rates abroad were imminent, to close down 26.7 at 2286.7. Sterling was little changed, while gilt-edged securities lost.

The CSO's index of retail sales (1985=100) was a provisional 121.8 in January, compared with 123.4 in December.

Government rejects plan to forward fund new TV network

By Raymond Snoddy

THE GOVERNMENT has rejected proposals to forward fund a national transmitter network for the new planned Channel 5 to get the new television network on the air as soon as possible.

Mr George Russell, chairman of the Independent Broadcasting Authority asked the Government last year to consider providing the £20m needed to build the transmitter network.

Under the plan the winner of the competitive tender for the Channel 5 franchise would inherit a completed transmitter network and refund the money to the Government.

Mr David Mellor, the Home Office Minister responsible for broadcasting, has decided it would be wrong to build the transmitter network in advance because it might close off options for the eventually winner of the competitive tender.

He has decided this point of principle is more important than the time which would be saved by forward funding the television project.

Under the Government's broadcasting bill the Channel 5 licence will not be allocated until after the Channel 3 licences have all been allocated.

It will be 1992 before Channel 5, which is expected to reach around 70 per cent of the UK is awarded and only then can the winning consortium start work on its transmitter network.

It looks like being late 1993 or even 1994 before Channel 5 will now be on the air. Latest estimates suggest 5m homes could have their own satellite dishes by the end of 1993.

With multi-channel television increasingly available through satellite and cable television it is increasingly unclear what commercial impact Channel 5, which will need a separate aerial in some parts of the country, will have.

The Government has however decided to think again about its suggested programme plans for three national commercial radio networks.

At the moment the bill specifies internal variety in programmes on each of the new radio channels.

Mr Mellor is now thinking whether there should be a diversity of station types. This could clear the way for thematic stations as in the US - for example an all news station, a classical music station and a pop music station.

The idea is to ensure the three new stations - one on FM and two on AM - do not all end up broadcasting the same popular output.

The Home Office is to look again at the Bill to give the planned Radio Authority power to demand diversity when it issues franchises.

● Mr Marmaduke Hussey, chairman of the BBC last night asked the Government to think again about its rejection of extra funds to help launch World Service Television.

The BBC was trying to launch a television version of the World Service commercially but this would be difficult to achieve in the short term.

"I would urge the Government to consider once more whether this is not a moment for an extra investment in a British product which has earned world wide respect and admiration," Mr Hussey said in Oxford.

Spark of comfort for the user

David Thomas and Maurice Samuelson chart a path through the complexities of the latest electricity supply price controls

THE PRICE CONTROLS announced yesterday for the electricity supply industry are an attempt to offer some comfort to all categories of users after privatisation.

Big industrial users of electricity – whose electricity costs have been heavily subsidised in recent years – are to have their price rises pegged to the increase in the rate of inflation for a further year.

Smaller industrial and commercial users are being offered the prospect of some real decrease in the price they pay for electricity.

While prices for household users are expected to increase by slightly more than inflation this April, increases will then be kept to the inflation rate for the following two years.

The package unveiled in the Commons yesterday by Mr John Wakeham, energy secretary, was immediately interpreted as an attempt to win support among the different categories of users to the sale of the electricity supply industry, due to be completed in the first half of 1991.

"The whole venture has always had a mishmash of conflicting objectives. Keeping the voters happy is one of the foremost of those objectives," a City follower of electricity privatisation said after the announcement.

On the face of it, large users of electricity in industries such as chemicals and steel have done well out of the decisions, since they had, by common consent, the most to lose in the run-up to privatisation. Estimates varied wildly, but some people within energy-intensive industries feared that their electricity charges might have to rise by 20-40 per cent in real terms to bring them into line with costs.

By pegging large users' price rises to the inflation rate, Mr Wakeham has now removed that fear – at least for another year, since he refused yesterday to offer any thoughts on what will happen in 1991.

But large electricity users are likely to remain less than happy with the prospect facing them. Last week, big industrial users were suggesting they would have been happier if their prices were pegged to 5 per cent above the rate of inflation for three years than with a single-year guarantee of no real increase.

They had told Mr Wakeham that one year was insufficient for them to make alternative arrangements, either by contracts with generating companies or by building their own generating facilities.

The new tranche of independent generators, seen by many as the cutting edge of competition in a privatised electricity market, will need considerably more than a year to bring their capacity on stream. Indeed, the one-year price cap on their prospective customers may serve to discourage them.

The message from yesterday's decisions for the millions of household and small businesses – those defined as using less than 1 MW of electricity – is also mixed. On the one hand, household users of electricity will continue to subsidise large industrial users for a little bit longer. But, on the other hand, householders have been given the assurance that increases in domestic electricity prices will be kept broadly in line with rises in inflation until March 1993.

The direct price cap on the charges to households and small commercial users of electricity is one of the key innovations unveiled by Mr Wakeham yesterday. The previous price control envisaged by the Government was broader: it covered the final charges to all categories of users made by suppliers like the area boards.

While the Government's announcements might help to make electricity privatisation more popular with users, they were causing some nervousness yesterday within the electricity supply industry itself.

However, the feeling is that the 12 area boards, which are due to be floated in the autumn, have emerged in a more favourable position. The next big step in the privatisation process is likely to be the publication of the charges which will be made for use of the monopoly transmission system.

The impact of the other big decision yesterday – the announcement of the nuclear levy – was less clear.

The levy is designed to compensate the industry for having to use the higher-cost electricity produced by Nuclear Electric, which will be remaining in the public sector. Mr Wakeham announced that it would be set initially at 10.6 per cent of final electricity prices, but would be likely to decrease by one-third over eight years.

This decline in the levy could, in theory, place an efficiency squeeze on the nuclear industry. Whether or not it works out like that, however, will depend on the precise profitability and rate of return targets set by ministers for nuclear power, the clear casualty to date of the privatisation process.

Gas supply competition too slow says report

By Maurice Samuelson

COMPETITION in gas supply is developing too slowly despite a healthier attitude towards competition by British Gas, the Office of Gas Supply, the industry's official watchdog, said yesterday.

In an outspoken annual report on Ofgas activities, Mr James McKinnon, director-general, said the delay in the introduction of competitive supplies was a "bitter disappointment" to many industrial users awaiting greater parity with their European rivals.

Their hopes had been raised by the October 1988 proposal of the Monopolies and Mergers Commission restricting British Gas's share of new gas fields to 90 per cent.

It now appeared that it would be 1993 before the quantity of gas needed to bring the benefits of competition would begin to flow.

Ofgas believed that three years was too long to wait and British Gas and its competitors should try to make independent gas supplies available sooner.

Office of Gas Supply, Annual report for 1989. HMSO Stationery Office, £7.50.

Saatchi: A re

Even in the toughest period the Saatchi group has ever had to face, the past year has been a record-breaking one for Saatchi & Saatchi Advertising in London.

It was the original agency from which Saatchi & Saatchi Company plc grew, to become the world's largest advertising group.

At the end of last year, Marketing Week published the results of an independent survey among blue chip clients who overwhelmingly voted Saatchi & Saatchi Advertising Britain's best agency.

BEST AGENCY [illegible]

Agencies were measured against seven criteria: creativity, value for money, media, account management, attentiveness to client needs, marketing strategy and analysis, international coverage.

1.	Saatchi & Saatchi London
2.	J Walter Thompson
3.	BMP/DDB Needham
4.	Ogilvy & Mather
5.	McCann Erickson
6.	Young & Rubicam
7.	Bartle Bogle Hegarty
8.	Gold Greenlees Trott
9.	DMB&B
10.	Abbott Mead Vickers/SMS

Source: Marketing Week 24th November 1989.

Marketing Week's editorial leader had this to say about Saatchi & Saatchi:

"Clients still think they are wonderful. More precisely, the top M.E.A.L. spenders believe that the London agency in Charlotte Street is the best overall."

"It would be a remarkable vote of confidence from clients under any circumstances, but Saatchi's currently stressful corporate predicament makes the consistency of achievement all the more remarkable."

In light of such accolades, it's hardly surprising to find that billings of £242 million in 1989 placed Saatchi firmly at the top of the tree among all UK advertising agencies.

TOP 10 AGENCIES BY BILLINGS

1.	Saatchi & Saatchi London	£242.8 million
2.	J Walter Thompson	£180.7 million
3.	Ogilvy & Mather	£170.2 million
4.	BSB Dorland	£166.5 million
5.	DMB&B	£157.6 million
6.	Young & Rubicam	£121.8 million
7.	BMP/DDB Needham	£119.2 million
8.	Collett Dickenson Pearce	£102.6 million
9.	McCann Erickson	£101.6 million
10.	Abbott Mead Vickers/SMS	£95.8 million

Source: Media Expenditure Analysis Ltd. Jan-Dec 1989.

These M.E.A.L. figures show Saatchi & Saatchi with a dominant lead of more than £60 million in billings over its next nearest rival.

This reflects the agency's outstanding record in new business gains, both from existing clients and new sources.

In fact, Saatchi came top of Campaign magazine's New Business League for 1989.

Just as it had done previously in 1988 and 1987.

[illegible] WINNERS

1.	Saatchi & Saatchi	*Total billings gained:*	£60.65m.
2.	Ogilvy & Mather	*Total billings gained:*	£53.00m.
3.	CDP	*Total billings gained:*	£46.00m.

Source: Campaign 1989.

1.	Saatchi & Saatchi	*Total billings gained:*	£139.25m.
2.	Young & Rubicam	*Total billings gained:*	£55.60m.
3.	DMB&B	*Total billings gained:*	£43.35m.

Source: Campaign 1988.

1.	Saatchi & Saatchi	*Total billings gained:*	£59.60m.
2.	DMB&B	*Total billings gained:*	£44.20m.
3.	J Walter Thompson	*Total billings gained:*	£38.05m.

Source: Campaign 1987.

In each of the three years, a different agency filled the second slot behind Saatchi & Saatchi.

And not one of those agencies which came second or third in 1987 and 1988 appears among the first five for 1989.

This makes Saatchi & Saatchi's consistency in new business gains all the more remarkable.

A record year.

The Saatchi network worldwide also had an outstanding year. New business gains of $750 million established it as the fastest growing international advertising network.

In Europe, Saatchi put on over $500 million worth of new business. And the New York agency was the second fastest growing agency for new business in America.

In creativity, Saatchi & Saatchi continues to dominate, with the London agency scoring the highest number of points in Campaign's latest Creative Awards League.

CREATIVE AWARDS POINTS WINNERS

		TOTAL POINTS 1986-1988
1.	Saatchi & Saatchi London	730
2.	Collett Dickenson Pearce	537
3.	BMP Davidson Pearce	478
4.	Lowe Howard-Spink	352
5.	Bartle Bogle Hegarty	341
6.	Abbott Mead Vickers/SMS	273
7.	J Walter Thompson	229
8.	WCRS Mathews Marcantonio	182
9.	Leagas Delaney	180
10.	DDB Needham	143

Source: Campaign 15th December 1989.

Saatchi not only totalled more points overall, but actually scored more points for its creative work than the rest of Britain's five biggest advertising agencies put together.

At the 1989 Golden Break Television Awards, Saatchi & Saatchi scooped the top award voted by the advertising industry for its InterCity commercial.

(During the period this commercial ran, InterCity had their most successful year.)

At the same Awards, the agency's 'Dog, Cat & Mouse' spot for Solid Fuel collected the top honour as the year's Most Popular TV Commercial voted by the viewing public.

And just for good measure in a record year, we notched up a number of unusual 'firsts' even for an agency with a reputation for innovation.

Saatchi & Saatchi was called in by the Soviet authorities to help set up commercial television in the USSR.

The Anglo-Soviet Space Mission came to us to launch the search for the first British spaceman or spacewoman. "Astronaut wanted. No experience necessary."

We were the first agency to book a complete commercial break on Soviet television.

We were also the first agency to place an advertising poster on the Eastern side of the Berlin Wall.

Better than any other agency, we know what it takes to stay on top.

A recent article in The Sunday Times on Saatchi & Saatchi's manifesto for the 1990's spelt out the agency's motto: By never relying on past glories we will continue to create new milestones.

THE NINETIES.

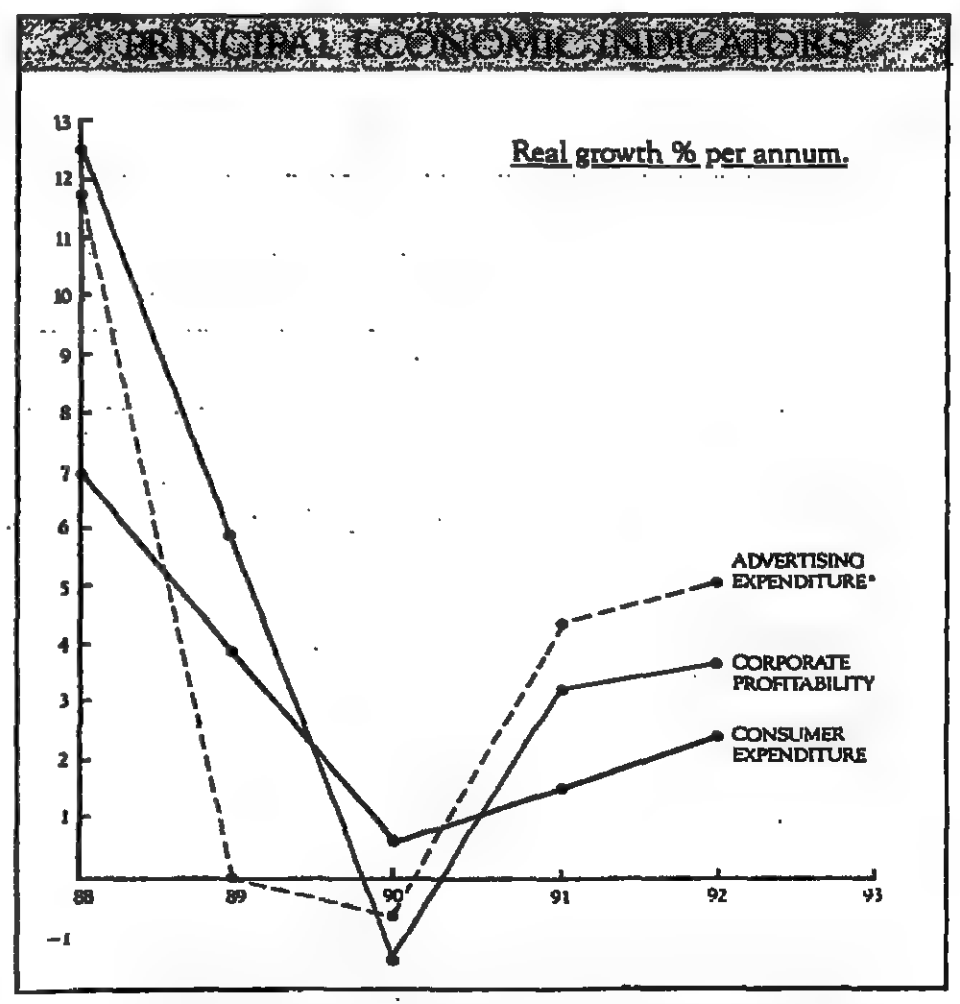
The United Kingdom is going through a period of considerable economic uncertainty at present.

Although nobody can pretend 1990 is going to be an easy year, UBS Phillips & Drew's principal economic indicators show significant upward trends for the years ahead.

It is essential that corporations continue to protect their investments in brands despite the effects of any squeeze on company profits.

It is a fact that in 1988 when total UK advertising expenditure grew by 11.8%, total company profits grew by 12.5% and achieved the highest share of national income for decades.

Companies who understand the significance of these indicators will not allow brand franchises to diminish through neglect of advertising.



*Source: UBS Phillips & Drew. *Saatchi & Saatchi estimate. Jan. 1990.*

Even in a period of economic uncertainty, we are determined to stay ahead. This means continuing to set ever higher standards for ourselves both in terms of how we service our clients and in the work we produce for them.

SAATCHI & SAATCHI ADVERTISING, 80 CHARLOTTE STREET, W1.

FT LAW REPORTS

Investing shareholder cannot sue auditors

CAPARO INDUSTRIES PLC v DICKMAN AND OTHERS
House of Lords (Lord Bridge of Harwich, Lord Roskill, Lord Ackner, Lord Oliver of Aylmerton and Lord Jauncey of Tullichettle): February 8 1990

COMPANY AUDITORS cannot be sued in negligence by shareholders who invest in the company in reliance on inaccurate accounts, in that although they owe a duty of care to shareholders as a company, they owe no duty to the investing public including individual shareholders.

The House of Lords so held when allowing an appeal by the third defendant Touche Ross, a firm of accountants, from a Court of Appeal decision that it could be sued in negligence by Caparo Industries plc, a shareholder in Fidelity plc of whom the first two defendants, Mr SG Dickman and Mr RA Dickman, were directors. A cross-appeal by Caparo was dismissed.

LORD BRIDGE said that the accountants were auditors of Fidelity, a public company.

In June 1984 Caparo, an existing shareholder made a successful take-over bid for Fidelity.

In the present action Caparo alleged that the bid was made in reliance on inaccurate or misleading accounts by which an apparent pre-tax profit of £1.3m should have been shown as a loss of over £400,000. It said had the true facts been known it would not have bid.

It alleged fraud against two Fidelity directors, and negligence against the accountants.

On trial of a preliminary issue Sir Neil Lawson held the accountants owed no Common Law duty to Caparo as investor or individual shareholder.

Caparo appealed. The Court of Appeal allowed the appeal. It held that while there was no sufficiently proximate relationship between an auditor and a potential investor to give rise to a duty of care, there was such a relationship with individual shareholders.

The accountants now appealed. Caparo cross-appealed against rejection of its claim that they owed it a duty as a potential investor.

In advising his client the professional man owed a duty to exercise the standard of skill and care appropriate to his professional status. He would be liable in contract and tort for losses his client might suffer from breach of that duty.

In cases where such a defendant had been held to owe a duty of care, the salient feature was that when giving advice or information he was fully aware of the nature of the transaction contemplated by the plaintiff; knew it would be communicated to the plaintiff; and knew it was likely the plaintiff would rely on it in deciding whether to engage in the transaction.

In those circumstances the defendant could be expected (subject to any disclaimer of responsibility) to anticipate that the plaintiff would rely on the advice or information for the very purpose for which he did rely on it.

The situation was entirely different where a statement was put into general circulation and might foreseeably be relied on by strangers for any one of a variety of different purposes which the maker of the statement had no specific reason to anticipate.

In his dissenting judgment in *Candler v Crane, Christmas [1951] 2 KB 164,179-184*, approved by the House of Lords in *Hedley Byrne [1964] AC 465*, Lord Justice Denning suggested the circumstances in which a duty to use care in a statement existed apart from in contract.

First, he said, the duty applied to persons such as accountants, whose profession was to make reports on which people other than their clients might rely in the ordinary course of business. Second, he said, accountants owed that duty to their employer and client, or to a third party to whom they showed the accounts or to whom they knew their employer would show the accounts in order to induce investment. "But," he said, "I do not think the duty can be extended further to include strangers . . . to whom the employer may choose without their knowledge to show the accounts."

He said: "The test of proximity . . . is did the accountants know that the accounts were required for submission to the plaintiff and use by him?"

Third, said Lord Justice Denning, the duty extended only to those transactions for which the accountants knew their accounts were required.

He concluded that a duty to use care in a statement was recognised by English law, but was limited in respect of the person by whom and to whom it was owed, and the transactions to which it applied.

That masterly analysis required little if any amplification or modification in the light of later authority.

Auditors owed no duty of care to members of the public who relied on the accounts in deciding to buy shares.

Caparo's main submissions were that the necessary nexus of proximity between it and the accountants giving rise to the duty of care stemmed from (1) Fidelity's vulnerability to takeover and the probability that a bidder would rely on the accounts; and (2) the circumstance that Caparo was already a Fidelity shareholder when it decided to launch its takeover bid in reliance on the accounts.

In the present case in the Court of Appeal Lord Justice Bingham said that the shareholders of the company were its owners, and that the auditor was employed by the company to exercise skill and judgment for the purpose of giving shareholders an independent report (see Companies Act 1985, section 236).

No doubt the statutory provisions established a relationship between auditors and shareholders on which the shareholder was entitled to rely for protection of his interest.

But the crucial question concerned the extent of the interest which the auditor had a duty to protect.

The shareholders had a collective interest in the company's proper management, but in practice it was indistinguishable from the interest of the company itself. Any loss suffered by shareholders would be recouped by a claim in the company's name, not by individual shareholders.

It was difficult to visualise a situation in which individual shareholders could claim to have sustained a loss in respect of existing shareholdings referable to auditors' negligence, which could not be recouped by the company.

A purchaser of additional shares stood in the same position as other investing members of the public to whom the auditors owed no duty.

The appeal was allowed and the cross-appeal dismissed.

LORD ROSKILL, concurring, said that no doubt it could be foreseeable that the accounts might find their way into the hands of persons who might use them for investment and lose money as a result. But to *impose liability in those circumstances* was to hold, contrary to authority, that foreseeability alone was sufficient.

LORD ACKNER agreed with all speeches.

LORD OLIVER also concurring, said the purpose of the auditors' certificate was to provide those entitled to the report with information to enable them to exercise their proprietary powers. It was not for individual speculation with a view to profit.

LORD JAUNCEY also concurring, said that the purpose of annual accounts so far as members were concerned, was to enable them to question past management, to exercise voting rights, and to influence future policy and management. Investment advice to individual shareholders was no part of the statutory purpose.

The fact that when the auditor was preparing his report the company might be vulnerable to takeover could not *per se* create a relationship of proximity between auditor and bidder.

For the accountants: PH Goldsmith QC and Stephen Moriarty (Freshfields).
For Caparo: Christopher Bathurst QC, Michael Brindle and C Orr (Berwin Leighton).

Rachel Davies
Barrister

Making acquisitions

How to smooth the takeover trail

Charles Batchelor on a way of supplementing organic growth

John James, chairman of Star Cargo, a privately-owned transport and freighting company, started takeover talks with 17 companies last year. For a mixture of reasons none came to anything.

There were owners who decided not to sell; businesses which appeared less attractive when more was learned about them; and businesses which were clearly not worth the value put upon them by their owners.

The first few weeks of 1990 have proved more fruitful and Star Cargo, based in Harpenden, Hertfordshire, has sewn up two deals. It has bought Viking Shipping Services, a profitable company, from the receivers handling the affairs of its failed parent and last week concluded six weeks of negotiations to acquire another small shipping firm.

Despite the unpredictable outcome of takeover negotiations, Star Cargo, which has turnover of £16.6m and 155 employees, is committed to making acquisitions as well as seeking organic growth.

"Negotiations can be enormously time-consuming and costly and can fail after you have gone a long way down the road," says James. "But you have to put the effort in if you want to achieve results." Over the past three years Star Cargo's efforts have led to four acquisitions.

Unlike quoted companies, which can issue new shares to finance acquisitions, unquoted businesses are obliged, in the main, to rely on their own funds or on bank borrowings. This acts as an important constraint on the level of their takeover activity.

Nevertheless, smaller businesses have become aware that acquisitions are a valuable way of supplementing organic growth. "Private and family-owned businesses are becoming as aggressive as quoted companies," notes Stephen David, a director of David Garrick, a London-based acquisitions consultancy. One advantage of an acquisition is that it brings in tested managers who are often in short supply in the smaller company.

To make the most of their acquisitions, however, the smaller business must approach it professionally, the specialists urge. "Smaller businesses sometimes go on a solicitor's recommendation or they decide to buy a supplier or a customer because they know the company," says Stephen David. "They get talked into it because acquisitions are always exciting – whether they make sense or not."

Before attempting to grow through acquisitions a company must work out what its objectives are, says David. He urges companies to set out their strategy and their acquisition criteria on a two to three page document. "If you set criteria you don't find yourself chasing red herrings," he says.

Hugh Charlton, managing director of Pointing, a Northumberland-based manufacturer of food colours and flavours, says his company has a set of written criteria. These cover the product areas Pointing wants to add, the size and profitability of the target company and the markets and technology in which it is involved.

Pointing, a family company employing 95 people and with sales of £12m, would be unlikely to spend more than £3m on an acquisition, notes Charlton.

But even if you have a plan you must remain opportunistic, he adds. Pointing's most recent acquisition, a Manchester-based company making food ingredients, was found by David Garrick. "We have a hit list but this was a company we were not aware of," says Charlton. "It is in a peripheral area not specified in our brief."

Once a company knows what it is looking for it must begin the actual search. Targets can be tracked down through databases and specialist directories published by business information groups such as Kompass and Dun & Bradstreet. Responding to "Business for Sale" advertisements may work but the most attractive companies are likely to have been snapped up before being advertised and there may be competition from other buyers.

Martin Blaney, managing director of Winprime, a West London wholesaler of personal computers and printers, says he has a list of gaps in his company's range which he would like to fill and a profile of the sort of business he would like to acquire.

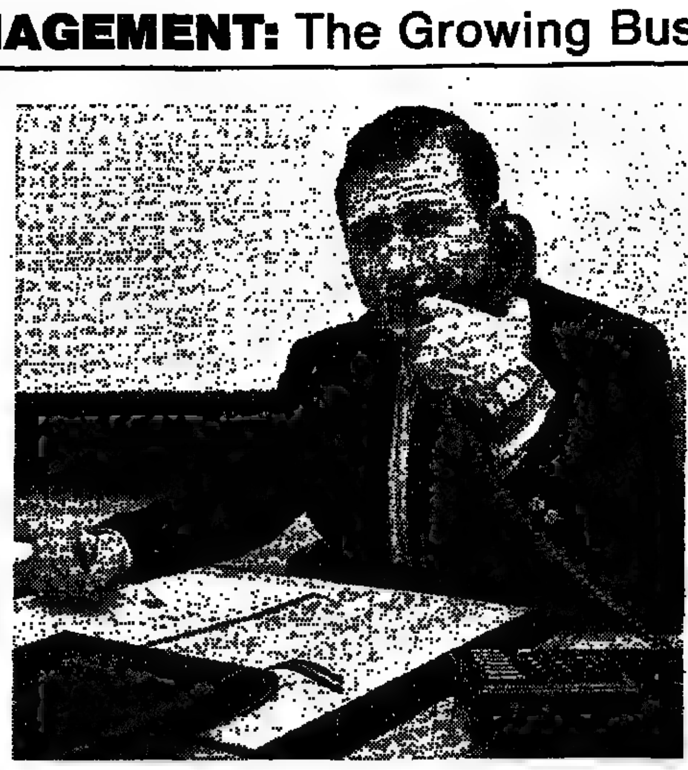
"But a company of our size (170 employees and £40m worth of sales) doesn't have a wonderful research document and reams of paper," he adds. Blaney and his managers keep a close eye on what is happening in their industry and take up suggestions put to them by the City institutions which helped set up Winprime in 1983.

"It is difficult to have some wonderful acquisition plan," comments Blaney. "We are always talking to people and making contacts. We may hear of somebody in trouble." Winprime recently made its second acquisition within 18 months, buying Document Technology (DTL), a supplier of non-impact printers, when DTL's own plans to develop a portable printer faltered.

Any thorough search for acquisition targets is likely to produce a long list of names but this must be reduced by filtering out businesses which do not meet all the criteria. "Once you have a manageable number you should send a personal letter, not a mail shot, to the chairman," says David. "You must be able to communicate where the business would fit in to yours or your letter will go into the bin. Many chairmen will be flattered and will be willing to talk even if their business is not up for sale."

The two sides should agree at an early stage to keep their talks confidential. This allows them to talk more openly and also shuts out any potential rivals. At this stage the success of the deal will depend as much on the ability of the two chairmen to get on as on the financial details.

"The chemistry is important to negotiate a deal," says David. "A lot of private owners are odd characters. Unlike the professional manager the private owner can be irrational without being sacked. If they have built up the company over 50 years they will have got used to being top dog."



John James: more success after a fruitless search in 1989

"If you can establish a good relationship the inevitable problems which arise during negotiations will remain manageable and won't get out of proportion," says John Yetman, a director of 3i Corporate Finance, the consultancy arm of 3i, a venture capital group. "If harsh things need to be said, leave this to your financial advisers."

Putting a value on the company you want to buy will involve a detailed investigation of its finances. This can be done by a team from the purchasing company or by its accountants. If a management team from the purchasing company is involved it will obtain more information on non-financial aspects of the target company but a small firm may lack the financial expertise available to professional accountants.

But whoever carries out the investigation, the vendors must be warned that very detailed information will be required. Some sensitive areas will need to be covered, such as the type and extent of benefits enjoyed by the directors, and relations with trade unions.

In many acquisitions the purchase price will be higher than the net asset value, either because it includes goodwill or because the assets involved, such as the people in a service company, cannot be formally valued. Purchase agreements for this sort of company often include what is known as an "earn-out," under which the vendor only receives full payment for the company if certain targets are met.

A drawback of these agreements is that they can prevent the buyer from fully integrating the new acquisition since this would make it difficult to judge if the targets were being met. For this reason few earn-outs run their full term and most vendors are bought out prematurely, says Stephen David.

Any agreement will have to be approved by a lawyer but the two companies are advised to draw up the broad outlines of a commercial agreement before calling them in, says David. "The lawyers must document the deal, not draw it up," he advises.

A large part of any agreement is likely to be taken up with warranties confirming the financial information which has been given by the vendor. But warranties are only of limited use, warns David. "They are nice to have but often they are not enforceable. The best way to protect yourself is to have a good audit carried out; to have a good relationship with the vendor and to reach an agreement on earn-outs."

Useful reading: Successful Acquisition of Unquoted Companies. third edition, by Barrie Pearson. Gower. 144 pages, £35.

Marketing – Italian style

Charles Batchelor examines a co-operative approach

Would small firms in Britain achieve more export success if they adopted the same co-operative marketing techniques as their counterparts in Italy?

Consorzi – joint enterprise groups – have made a considerable contribution to the small and medium sized business sector by providing the confidence and skills to allow smaller firms to break into new markets, according to a report* by the UK Co-operative Development Agency.

A *consorzio* is a grouping of companies or individual traders set up primarily to share marketing resources but also to provide administrative services, joint purchasing and help with training.

The *Consorzio Conciatori Toscani*, for example, comprises 11 businesses engaged in preparing hides for leather goods with between three and 35 employees each and with combined sales of £50m a year.

The *consorzio*, based in Santa Croce Sull' Arno, helps its members produce promotion literature and make contact with buying agents. It represents its members at international trade fairs and is setting up a Hong Kong office.

The *consorzio* accounts for just 2.5 per cent of the tanning industry in the region though its members are responsible for 10 per cent of industry turnover. The government finances two thirds of the £180,000 annual running costs with the rest coming from members. The joining fee for new members is £7,500.

The *consorzi* share with co-operatives the basic principle of members working together for a common aim but avoid the ideological association of co-operatives proper. Italian co-operatives usually have political affiliations which are distrusted by some entrepreneurs.

Consorzi have benefited from government support – though this will end in 1992 – but have also been spurred by Italy's tough employment laws which have effectively set limits of growth on many small firms.

The *consorzi* have been helped by strong civic and regional pride and by sophisticated attitudes to co-operation, the report notes. They tend to treat Europe as a domestic market and to lay great emphasis on design, quality and service. They provide back-up services such as language skills and have created strong product and regional brand images.

Many *consorzi* represent not just one industry but take in many in a particular region. Sienaexport, for example, has 158 members in 12 different product groups including foodstuffs, glass products, footwear and engineering machinery.

In the UK, in contrast, co-operative marketing agreements still have to make much impact outside the farming sector.

The Co-operative Development Agency has helped form about 70 marketing groups, mainly involving groups of self-employed people, though 10 groups have companies as members.

There remains however a strong resistance to co-operatives among many entrepreneurs and a lack of successful models to encourage others to try, the report says. The Training and Enterprise Councils which are being established in Britain to provide locally-based training and services to industry could usefully take on the task of supporting marketing co-ops, the report suggests.

**Joint Enterprise Groups in Italy – A study of five Italian Consorzi. From Co-operative Development Agency, Broadmead House, 21 Panton Street, London SW1Y 4DR. Tel 01-839 2988. Price £2 inc p+p.*

In brief...

■ "Inventions", a new monthly illustrated review of product ideas available for commercial development, is an attempt to bridge the gap between the inventor and the businessman.

Inventalink, the innovations consultancy behind the publication, says the review will contain 30-40 ideas each month ranging from simple low cost widgets to breakthroughs in quality sound reproduction, from saucepans which will not boil over to a new boat design intended to replace the Hovercraft.

Available from Inventalink, 5 Clipstone Street, London W1P 7EB. Tel 01-323 4323. Annual Subscription £98.

■ Local enterprise agencies are attempting to provide more focused business advice tailored to the needs of their female clients.

Business in the Community, the agencies' umbrella organisation, is working on a set of guidelines on good practice for counselling women who want to set up or expand a business.

■ A one-day business course for people who want to set up a fashion business will be run by London Enterprise Agency (LEntA) on Saturday, March 10.

The course, which costs £30, will cover subjects such as business planning, raising finance and manufacturing techniques.

Contact LEntA, 4 Snow Hill, London EC1A 2BS. Tel 01-236 3000.

■ A new guide to government help for small firms has been published by the Department of Employment. The 18-page guide contains sources of advice and help in the fields of finance, training, exports and premises.

Available, free, from the Small Firms Service. Dial 100 and ask for Freefone Enterprise.

■ National Westminster Bank has appointed 23 regional small business advisers to increase its support for small firms.

The advisers will arrange seminars to bring together experts from accountancy and legal firms and from enterprise agencies to provide free advice. They will also hold surgeries to discuss individual business problems.

■ Directors and managers face a growing risk of legal claims against them for decisions and actions they have taken in the course of business.

A one-day conference on the subject of directors' and officers' liability and insurance is to be held in London on March 21 by Lloyd's of London and Gouldens, a firm of solicitors.

Contact Conference Department, Lloyd's of London, One Singer Street, London EC2A 4LQ. Tel 01-250 1500. Fee £295 plus VAT.

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Further details and prospectus from:
Leonard Curtis & Co,
30 Eastbourne Terrace, London W2 6LF
Tel: (01) 262 7700 Fax: (01) 723 6059

DM/2

CARPET AND FLOORING CONTRACTOR (MIDLANDS £1.75M TURNOVER)

100% Shareholder of old established (25 years) flooring group wishes to dispose of the above company. Major blue chip customers. Solid order book. Experienced management team. Well known company name. Tax losses available.

Principals only write The Managing Director Spring Gardens, Derngate, Northampton NN1 1DR

Sub-Contractor to Electrical and Telecommunications Industry.

Established 1971
Based in Hertfordshire
Profits before tax and Directors remuneration c£100,000
Offers £250,000

Write Box H5769, Financial Times, One Southwark Bridge, London SE1 9HL.

HIGH-TECH COMPUTER TECHNOLOGY COMPANY CAMBRIDGE

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Torch Technology Limited a company specialising in high quality UNIX hardware and software products into niche OEM and distribution markets.

Principal features include:

- 1988/89 turnover of £1.5 million
- Modern leasehold premises ideally situated on the outskirts of Cambridge
- Skilled and dedicated workforce
- Good growth potential based on existing products and a new product range in the final stages of development.

For further details please contact
The Joint Administrative Receiver:
J D Cross F.C.A., F.I.P.A.

KPMG Peat Marwick McLintock
Churchill House, 37 Hills Road, Cambridge.
Telephone: (0223) 66692
Fax: (0223) 460701

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Contact: Humberts National Leisure Division
25 Grosvenor Street, London W1X 9FE
Tel: 01-629 6700 Fax: 01-493 4346

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An established company with a strong customer base producing domestic and office furniture. Based in West Drayton close to Stockley Park, Heathrow and M4/M25.

- Wide range of first class machinery.
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Further information may be obtained from the Joint Administrative Receiver, M. Cohen, ACA (ref: 7/AJT).

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MIDLANDS - PROPERTY PORTFOLIO - Commercial units. Currently producing below market rental £400K+pa. Some 350,000 sq.ft. Offers sought c£4M (Ref AM7002)

OFFICE CLEANING CONTRACTOR - Unique opportunity - One of the few remaining Franchise territories with leading UK Contractor. Very high returns for modest investment. Host of "Blue Chip" clients. Admin rather than manual (Ref AM7001)

KENT - COMM BLDG CONTRACTOR - Estab Co. Regular ords from PLC's. F/Hold site. T.O £750K. Good NP. Price £400K +/- net assets (Ref ZC24681Z)

E. HERTS - GLAZING CONTRACTOR/GLASS SUPPLIER - F/Hold mod prems. Machinery + 4 vehicles. T.O. £232K. NPBT £30K. Potential £199K (Ref ZL12548D)

S.BEDS - ELECT CONTRACTOR - T.O. £697,413 at 24.5%. GP £171,028. Well estab bus. Major contracts. 12 year lse. Price £150K (Ref ZG17184D)

ESSEX - HAULAGE CONTRACTOR /PLANT HIRE - Small fleet of new quality vehicles. F/Hold yard. T.O. £850K. Profitable bus. Price £400K (Ref ZP189278)

E. MIDLANDS - PLASTER/DRY LINING/FLOOR SCREED/GRANOLITHIC CONTRACTORS - Estab bus. 75 personnel T.O. C £1.2M with pretax profit £97,256. F/Hold Offices £435K +/- current net assets (Ref ZL9536G)

Write to the General Manager
Everett Masson & Furby Corporate
18 Walsworth Road,
Hitchin SG4 9SP
Tel: 0462 432499 Fax: 0462 420062

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AIRSTREAM ACOUSTICS LIMITED IN ADMINISTRATION

The business and assets of the above company are offered for sale by the Administrator. The company manufactures cabinets, clock cases and point of sale displays mainly for export.

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Fax: 0533 620105

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Re: Aron Lee Fashions Limited

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Location Runcorn

Further details Ref: RKH

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Write box H5773, Financial Times, One Southwark Bridge, London SE1 9HL.

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Write box H5768, Financial Times, One Southwark Bridge, London SE1 9HL.

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FOR SALE INJECTION MOULDING COMPANY

Based in Sussex. T/O £600,000 p.a. Modern leasehold premises and equipment including small toolroom. Loyal workforce.

Principals only Write Box H5775, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

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Precision Plastic Injection Moulding Co established in 1952. Incorporating close tolerance plastic mouldings with precision metal stamped terminals, lugs and contacts. Profitable with good order. Turnover 3 million dollars. Owner wishes to retire but existing experienced management will remain.

Contact (Principals Only).
J.A. Derry & Associates,
Ayston House, Ayston Road,
Oakham, Leics. LE15 9RL Telephone 0572 823777 Facsimile 0572 821325

TELECOMMUNICATIONS
User Management Support Systems

PLC wishes to dispose of subsidiary outside its core activities. With annual sales of £2m, PBT £200,000 and net assets of £0.5m, the company designs, markets and supports auxiliary systems for telecommunications.

For further information, principals only should write to:

Box H5788, Financial Times, One Southwark Bridge, London SE1 9HL.

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For sale or merger.

Fax. 0103367777549.

SECURITY PRODUCTS DISTRIBUTOR FOR SALE

Stock, goodwill and UK sole agency of high specification security products. Sales in current year £750,000 with 40% growth forecast. Profitable stand alone in business.

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Electrical contracting company based in North East of England, turnover £1m+ projected profits this year. Long term contracts with excellent prospects of expansion. Activity is outwith owner's main business and is the reason for sale.

Write Box H5779, Financial Times, One Southwark Bridge, London SE1 9HL.

ENGINEERING FOR THE PLASTICS INDUSTRY FOR SALE

Well established company having sole distribution in the United Kingdom for specialist engineering overseas companies. Order intake over £1 million p.a. with considerable expansion possible from this profitable business. Principals only.

Write Box H5774, Financial Times, One Southwark Bridge, London SE1 9HL.

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Call Charles Molloy on 0480-87664 or 0480-76200 for further details.

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London/Kent Borders in ½ acre F/H site with PP for further units. Included in price is profitable haulage business

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OLD ESTABLISHED PAINT CO.

with turnover approx £400,000 p.a. ceasing to trade owing to retirement of Director. Will consider sale for current stock value. Principals only please write to:

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Humberside, based on 3 acre freehold site. turnover £3.3 million per annum. Good connections Yorkshire and Midlands.

Write Box H5780, Financial Times, One Southwark Bridge, London SE1 9HL.

PORTUGAL

Office building & land for construction in Lisbon Hotel in Oporto. Luxurious house in Cascais. For sale.

Mr. Silva - London -
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Fax. 01-630 8398

FINANCE COMPANY

Long established providing finance to industrial and commercial clients (not property). Profit before tax and after finance costs £250k.

An association or sale to a quoted company would lead to further progress.

Write Box H5791, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

OFF-SHORE I.O.M. REG. SECURITY COMPANY FOR SALE Security, CCTV, Access Control - or would be perfect for waste management, conservation heat/energy, re-cycling, debt collection, Finance, Advice, etc: Excellent name, Isle of Man based HQ with accomm. office in South Manchester and Scotland. VAT reg. Profitably trading 5 years. No debts. No liabilities. Best offer over £10,000 or £12500 with clients. Contact agent - 061 429 8008 or pm/WE 061 428 0139 - or FAX letterhead to 061 474 7765.

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Written replys to Box H5786, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

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Exotic 26 unit apartment/hotel with 150ft beach frontage. Minimart, pool, restaurant and bar. Occupying 40,000 sq.ft. with ample room for expansion. Annex has 2 large flats.

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The Joint Administrative Receivers offer for sale the business and assets on a going concern basis of this West Yorkshire based company.

- Leasehold premises
- Turnover in excess of £1 million in last twelve months
- Extensive customer base with order book of approximately £75,000
- 24 employees

for further details please contact the Joint Administrative Receivers:-

D.M. Walker F.C.A. and P.J.R. Souster F.C.A.
Baker Tilly, Yorkshire House, Greek Street, Leeds LS1 5SN.
Telephone: 0532 449912 Fax: 0532 436728

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AUTOMATED WELDING COMPANY

A hi-technology company with a good reputation within the automated high precision welding industry, seeks to join forces with a strong company, with marketing clout, supplying the industrial market.

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Well established mail order business of fresh food and meat. Turnover £1½ million. Large proportion of repeat orders. Offered for sale on an assets basis. Sale due to divestment by holding company.

Write Box H5766, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

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H5784, Financial Times, One Southwark Bridge, London SE1 9HL.

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A small publishing company in Surrey wish to sell a motoring title in order to pursue other interests. Gross annual turnover £240,000 For details apply in writing to:-

Mr. P. Smale, Fourseth Ltd,
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Ideal (but not essential) characteristics are:

1. Turnover in excess of £1m
2. Own products or exclusive distribution rights
3. Industrial products
4. Based in North East
5. Growth opportunities

We are also interested in companies requiring relocation, having some space available within present operations.

Prompt response to all replies. Principals only, please, write in strictest confidence to Box H5782, Financial Times, One Southwark Bridge, London SE1 9HL

WANTED

Finance company with loans secured on property and gross assets £5 million plus.

Contact R. Bloom. 01-954 4171
Alandale Ltd, 7 Stanmore Hill, Stanmore HA7 3EU

MAIL ORDER GROUP SEEKS ACQUISITIONS

We are a privately owned group seeking external growth opportunities in the mail-order sector.
Do you control a mail-order company which is seeking new impetus or maybe additional capital?
We are prepared to offer outright purchase for cash with or without your continuing involvement.
Long-term potential more important than profitability.

Please write in strictest confidence to Box H5772, Financial Times, One Southwark Bridge, London SE1 9HL

HOMECARE PRODUCTS MANUFACTURER SEEKS ACQUISITIONS

Privately owned group seeks to make cash acquisitions of companies engaged in manufacture of:

Homecare products / Furniture / Towels
Home Furnishings / Bedding / or related fields.

We are looking for acquisitions with pre-tax profits up to £0.75m.
If you are considering a sale, we would be delighted to talk.

Please write in strictest confidence to Box H5736, Financial Times, One Southwark Bridge, London SE1 9HL or telephone 01 329 4496 - ref SNJ

WANTED PRINTING BUSINESS

English subsidiary of an international packaging group likes to expand it's Litho offset and or rotogravure printing operation through acquisition or joint venture with established going concern.

Write to box H5776, Financial Times, One Southwark Bridge, London SE1 9HL

"TAX LOSSES WANTED"

This expanding quoted property group wishes to acquire companies who have usable tax losses. The companies must be involved in one or more of the following activities.

Property Development & Trading (Schedule D, Case I)
Property Investment (Schedule A)
Residential Property Development (Schedule D Case I)
Investment in Listed Investments (Capital Gains Tax)

With or without an existing portfolio.
Only companies with usable tax losses in excess of £1 million would be considered.
Write Box H5656, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESS WANTED HIGH QUALITY INJECTION MOULDING COMPANY

Turnover in the range £1m to £7m, with capacity to expand, based in any area of the UK.

Please write to Box H5781, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

WANTED - BUSINESS DIRECTORIES

Growing business database and directory company interested in company titles or interested in companies involved in publishing from business databases.
All responses will be promptly acknowledged and treated in strictest confidence.

Write Box H5287, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

WANTED

English holding companies with Indian interests.

Write Box H5720, Financial Times, One Southwark Bridge, London SE1 9HL

Established workwear manufacturer

wishes to purchase an up and running manufacturing unit with approx. 20/30 operatives. Joint venture considered. All replies treated in the strictest of confidence.

Write Box H5792, Financial Times, One Southwark Bridge, London SE1 9HL

WANTED

Tanker Transport business either in the UK or Europe

Please contact Miss L. Follington
Tel 0734 781343
Fax 0734 776713

PENTHOUSE (TEXTILES) LIMITED (IN RECEIVERSHIP)

The Joint Administrative Receivers offer for sale the business and assets of Penthouse (Textiles) Limited.

The Company's business is the manufacture and distribution of bedding, bed-linen and curtains.

Principal features include:

- Freehold premises in Lurgan, Northern Ireland, comprising approx 35,000 square feet
- Plant and machinery
- Approximately 130 employees
- Customers include large chain stores and *mail order companies*
- Substantial order book
- Approximate turnover £6m per annum

For further information please contact The Joint Administrative Receiver:
R H Oldfield

KPMG Peat Marwick McLintock
1 Puddle Dock, Blackfriars, London EC4
Telephone: 01-236 8000
Fax: 01-248 1790

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30 years experience, industry/city/profession, hours to suit, West Country preferred.

Write in confidence to Box H5788, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESSES FOR SALE

MICRONOLOGY LIMITED

(In administrative receivership)

The Joint Administrative Receivers offer for sale the business of this well established computer dealer and systems house.

- Blue chip customer list
- Turnover £3 million
- *Design and manufacture of own hardware*
- 35 employees
- Valuable leasehold property

Please contact:
Phillip Sykes
Joint Administrative Receiver
BDO Binder Hamlyn
8 St Bride Street
London
EC4A 4DA
Telephone: 01-583 3020
Fax: 01-583 3507

BDO BINDER HAMLYN

Chartered Accountants

BDO Binder Hamlyn is authorised to carry out investment business by the Institute of Chartered Accountants in England and Wales.

BUSINESSES FOR SALE

GROUP OF CENTRAL LONDON HOTELS

Joint Administrative Receivers, R.H. Oldfield and C.T.E. Hayward

FOR SALE:

Individually or collectively the business and assets of three hotels in the Paddington area of London. The hotels offering a total of 237 letting rooms are as follows:-

HOTEL I
96 letting rooms
Full private facilities
Restaurant and lounge
Cocktail bar – sub-let
Ground floor restaurants – sub-let
19 staff
Turnover: £936,000 pa

HOTEL II
97 letting rooms plus 5 offices planning for an additional 8 rooms
Full private facilities
Car park
Cocktail bar and lounge
27 staff plus 8 admin
Turnover: £819,000 pa

HOTEL III
44 letting rooms
Full private facilities
Coffee shop
Bar
Ground floor part-let to travel company
17 staff
Turnover: £527,000 pa

For further information please contact the Administrative Receivers' agents CHRISTIE & CO at 50 Victoria Street, London, SW1H 0NW. Contact: Gerard Nolan Telephone: 01-799 2121 Fax: 01-222 0081

KPMG Peat Marwick McLintock

PORTSMOUTH

Printed Circuit Board Manufacturer

The Receiver offers for sale, the business assets and goodwill of Victory Printed Circuits Limited, manufacturers of printed circuit boards, both conventional and plated through. Leasehold premises (factory/offices) approximately 4,500 sq ft, plant equipment, vehicles, stocks and WIP, order book. Turnover 1989 approximately £500,000.

For further information please contact Philip Porter or Greg Palfrey at Coopers & Lybrand Deloitte, Wheatsheaf House, 24 Bernard Street, Southampton SO9 1QL. Telephone: (0703) 634521. Fax: (0703) 226657.

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Robots planted in a graduate culture

In a new pharmaceutical factory, four robots, sealed in stainless steel cells, are performing a delicate manoeuvre which might otherwise have needed as many as 50 highly trained staff.

Celltech, the biotechnology company based in Slough, has adopted a novel solution to the problem of scaling up the manufacture of a new drug. The process involves the mass culture of mammalian cells to make a therapeutic hormone.

To achieve planned output, Celltech was faced with the choice of recruiting 40 to 50 graduates for a single stage in the process, or mimicking their manipulations mechanically. As the procedure had been approved by the drug regulatory authorities, it could not be changed without revalidation which would have incurred a two-year delay.

Celltech called in the Technology Partnership, Cambridge consulting engineers. The task was to mimic the planting of live cells on the inside of a plastic bottle, under sterile conditions. The "roller bottles", rolling slowly for weeks in an incubator, then culture the cells in quantities large enough to harvest.

The consultants were skilled at applying robots to clean-room operations in semiconductor factories. The Unimate Puma, made in England, had been sealed and "air-conditioned" to operate inside a class 1 standard of clean room.

Richard Archer, in charge of the project, first video-filmed Celltech's staff while they carried out a sequence that involved uncapping a sterile two-litre bottle, pouring in liquor containing the cells, swirling it to inoculate the whole bottle, emptying and rinsing, then filling it with a nutrient on which the cells grow. Each prepared 15 to 20 bottles an hour.

But no two graduates performed this sequence in exactly the same way, says Archer. So he took a pragmatic view that the cells were probably more robust than the scientists believed. He programmed the five-axis Puma to follow the sequence as filmed, with the idea of fine-tuning it in operation to accommodate any idiosyncrasies.

In fact, there were few. The important thing was to avoid any manoeuvre like splashing that could dislodge the newly deposited "cell-sheet" – only a single cell deep – from the bottle. Each operator had his own way of rinsing this cell-sheet, but Archer found a single swirl by the Puma proved perfectly adequate.

Called Cellmates, the four Pumas in their custom-built cells have cost Celltech about £500,000. Each Cellmate processes between 150 and 200 bottles an hour. They run seven days a week under the eye of a single supervisor, with just two operators to load and unload them.

Ian Collins, the Celltech engineer responsible for automating the process, says that in an environment as clean as this there is little wear on the Cellmates.

"Scientists are very single-minded," he says. "Once they make something work they want to keep it that way."

Archer says his company saw it initially as a "one-off" assignment because it believed the roller-bottle concept of manufacture was obsolescent. It has since learnt that roller bottles continue to be used for vaccine manufacture, a highly labour-intensive activity.

The robots have also attracted attention from people wanting to scale up the manufacture of deadly pathogens for research.

David Fishlock

See salt through radar waves

Peter Marsh reports on a way to map underground deposits

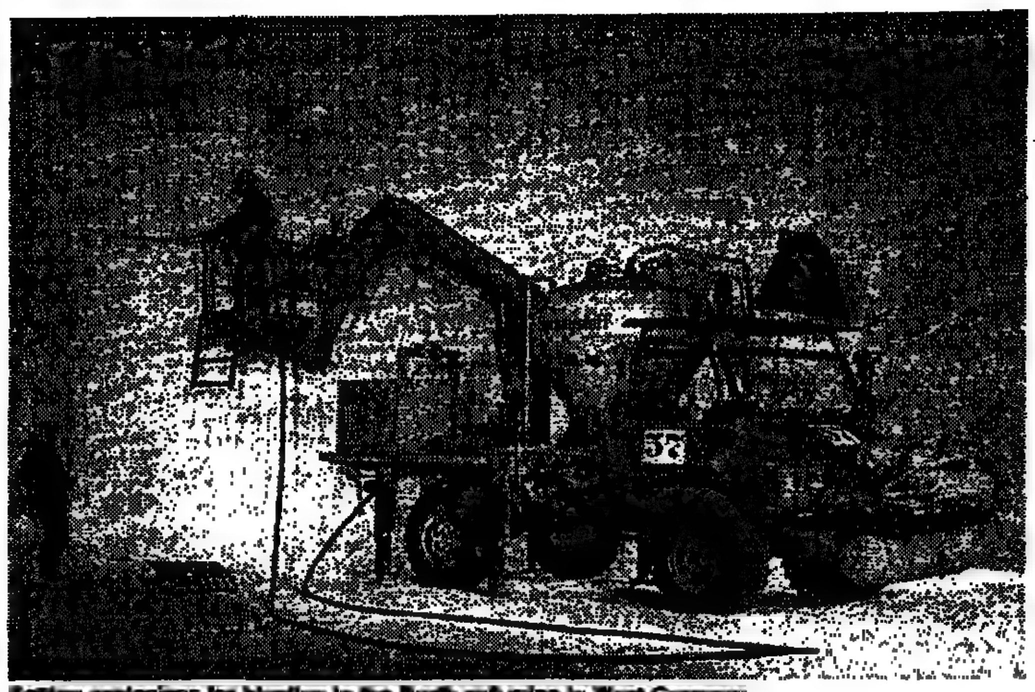
Radar has already established itself as a tool that can be wielded in the sky – to monitor features of the earth from a satellite, for instance.

Now a team of engineers is working on ways to use the technology nearly 1 km under the earth, to find the best places in which to prospect for salt.

Salt – or sodium chloride – is one of the world's most common chemicals. Uses for the 200m tonnes of salt produced each year range from flavouring food to acting as a starting material for a range of other chemical products.

The very abundance of salt – it is found in sea water and in land deposits liberally scattered around the globe – makes the material cheap. It sells for as little as £30 a tonne, about the same as scrap iron.

The low value of the material puts pressure on suppliers to cut production costs. Solvay, Belgium's biggest chemicals company and western Europe's largest salt producer, has started a research project to achieve this using radar.


Setting explosives for blasting in the Borth salt mine in West Germany

Assuming the work comes to fruition, salt miners will routinely use radar to produce "maps" of underground deposits. These will pinpoint concentrations of salt which have the fewest impurities and are the easiest to mine.

The maps could lead to better directed mining techniques, in which engineers waste less effort extracting deposits which contain large amounts of low-grade salt or impurities.

Salt is generally either extracted by mining or by pumping water into the rock strata to dissolve the salt, which is then pumped out as brine. Other large European salt producers include Akzo, of the Netherlands, Imperial Chemical Industries, of the UK, and BASF, of West Germany.

Solvay's studies are taking place at its mine at Borth, near Duisberg in West Germany. Here miners toil away in surreal conditions to dig out an estimated 2m to 3m tonnes of salt a year in one of the world's biggest salt mines.

The research uses the fact that radar – like other high-frequency radio waves – is transmitted freely through dry salt. This is not the case with most types of rock, which is why radios tend to be useless in mines and tunnels.

The battery-powered radars in Solvay's experiments have been mounted on trailers and taken underground to areas close to seemingly promising deposits. The equipment, which uses frequencies between 100 MHz and 1,000 MHz, has been able to "see" through the salt for up to 1.6km.

Where the deposits are pure, the transmission passes straight through. In places where there are impurities, such as lumps of ordinary rock, reflection takes place, which is picked up by a receiver fitted to the radar equipment.

If the radar beams are scanned across a broad area of rock, the equipment picks up a series of reflections, caused by the impurities, interspersed with "clear" areas where the radiation is uninterrupted, indicating that the salt is pure.

The degree to which reflection takes place and the position of any "rogue" lumps of rock can be seen from traces, produced on paper by the radar equipment, similar to those on a seismograph. The traces can be interpreted by a skilled engineer as a detailed three-dimensional map of the deposit.

Professor Robert Unterberger, a geologist at Texas A&M University in the US, has worked with Solvay at Borth for 15 years on technical projects and has helped in the radar studies. He says that while other mining companies have developed similar techniques, Solvay has taken the work further.

The studies have produced maps of underground deposits in which concentrations of impurities are pinpointed with an accuracy of a few feet, he says. "In the past there has been a hit and miss approach. A technique like this could take out much of the guesswork."

Solvay is not keen to discuss details of the research, but the first practical use of the technique could be in routine efforts to expand the Borth mine.

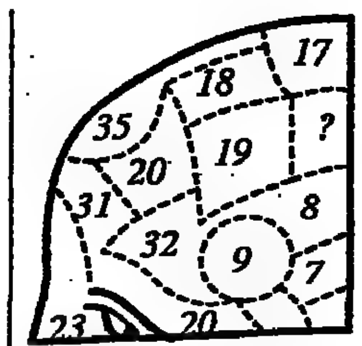
The mine is carved out of a 200-metre high salt deposit under a surface area of 38 sq km close to the River Rhine. Transport in the mine is by a remarkable 40 km subterranean road network. This acts as a conduit for huge Swedish-made vehicles which transport salt between different parts of the mine. Costing DM 800,000 ($280,000), these Kiruna Combis have wheels as tall as a person and can carry up to 55 tonnes of salt through a series of ghostly white tunnels.

Being a miner at Borth is a lonely job. The place is highly automated. Since the 1950s, when Solvay employed 1,000 people underground, it has invested heavily in machinery, reducing the need to 250 operators. Borth's pumping system for ventilation moves 15,000 cu m of air a minute.

The rooms from which salt has been extracted are up to 600 m long and 20 m high. In the active cavities, the salt is dislodged by blasting and dug out with mechanical shovels.

Prior to cutting out new areas for mining, special drilling systems, called Jumbos, are used to make holes in the salt for explosive charges. It is in deciding where to put these holes that the new radar technique could be useful.

Other operations at Borth include the carving out of new deposits and ventilation channels using giant cutters, costing DM 10m each, made by Martin Marietta, the US aerospace company. Solvay is working on new ways to guide the cutters, such as employing laser beams to facilitate precision work along straight lines.



WORTH WATCHING

Edited by **Della Bradshaw**

A leg up for Queen's

THERE WAS a good excuse for a knees-up in Belfast last week, when a research team from Queen's University won the Year of Invention award for a computerised system which helps diagnose torn knee cartilages.

The device beat nearly 3,000 other entries in the competition, organised by Toshiba, of Japan, and the UK Design Council.

The Queen's University device calculates the amount of damage done to the cartilage by screening the moving joint for vibrations.

A vibration-sensitive transducer is placed on the knee and then the leg is manipulated using a modified exercise machine.

Signals are sent to a computer which analyses the results to diagnose the seriousness of the tear in the cartilage.

Clinical trials indicate that the system has an accuracy of 86 per cent, compared with a maximum of 70 per cent when a surgeon diagnoses the problem unaided.

Joint approach to data traffic

ANDERSEN Consulting and Motorola Codex are pooling their expertise – and their corporate data networks – to offer a UK-wide service for companies wanting to send computer information more efficiently between their divisions.

Later, customers will be able to send data to destinations in Europe using the computer network set up for the Arthur Andersen accountancy group's own use.

Called SigmaNet, the UK network is based on the X.25 standard, which sends data around the network in discrete packages. However, it can also carry data packaged in different ways, such as to the X.400 messaging standard.

One of the main applications is likely to be in sending documents between customers and suppliers – known as electronic data interchange (EDI).

Crystallising something new

RESEARCHERS at AT&T Bell Laboratories have confirmed the existence of a new form of solid matter, which they call quasicrystalline, writes Clive Cookson.

Quasicrystals could have a wide range of industrial and electronic applications. An early use could be as high quality electrical resistors.

The atoms in quasicrystals are arranged with a pentagonal symmetry unlike that of true crystals. In crystalline material the atoms have a regular repeating pattern, like a pattern of square or hexagonal tiles fitting together to cover a floor.

As AT&T researcher Rafik Korian puts it, "it is impossible to fit pentagon-shaped tiles together without leaving holes in the pattern. But in the case of quasicrystals, nature somehow blends the pentagon shapes to create regular patterns that fit together perfectly and never repeat themselves."

The quasicrystals made at Bell Labs are metal compounds made of aluminium, cobalt and copper. They are extremely hard and strong, and maintain a constant electrical resistance over a wide temperature range.

Togetherness in computers

THE DREAM of every data processing manager is to buy computer equipment from a myriad of suppliers and software from a plethora of software houses, then plug it all in so that it works happily together. But, until now, a dream is all it has been.

Siemens, the West German electronics company, has devised a computer architecture that could solve at least part of the problem, saving companies from wasting their investment in previous generations of computer equipment.

The company claims it has developed the world's first open architecture to offer application-to-application processing, so that programs running on an IBM, ICL or Digital Equipment mainframe computer, for example, can be accessed from a single personal computer, terminal or workstation.

The Scope architecture – which stands for Siemens Co-operative Processing Environment – is based on some industry standard products and some Siemens ones.

BT thinks about communication

BRITISH Telecom is turning to philosophy to help it unscramble some crossed wires – not at the exchange, but at the design stage of any new information system, writes Geoff Tansey.

It is paying £45,000 to the philosophy department at York University to produce guidelines for both clients and engineers working on new telecommunications products.

The difficulty lies in clients being unclear about what they want and in engineers delivering equipment which often fails to meet clients' needs, says Peter Monk, one of the York team.

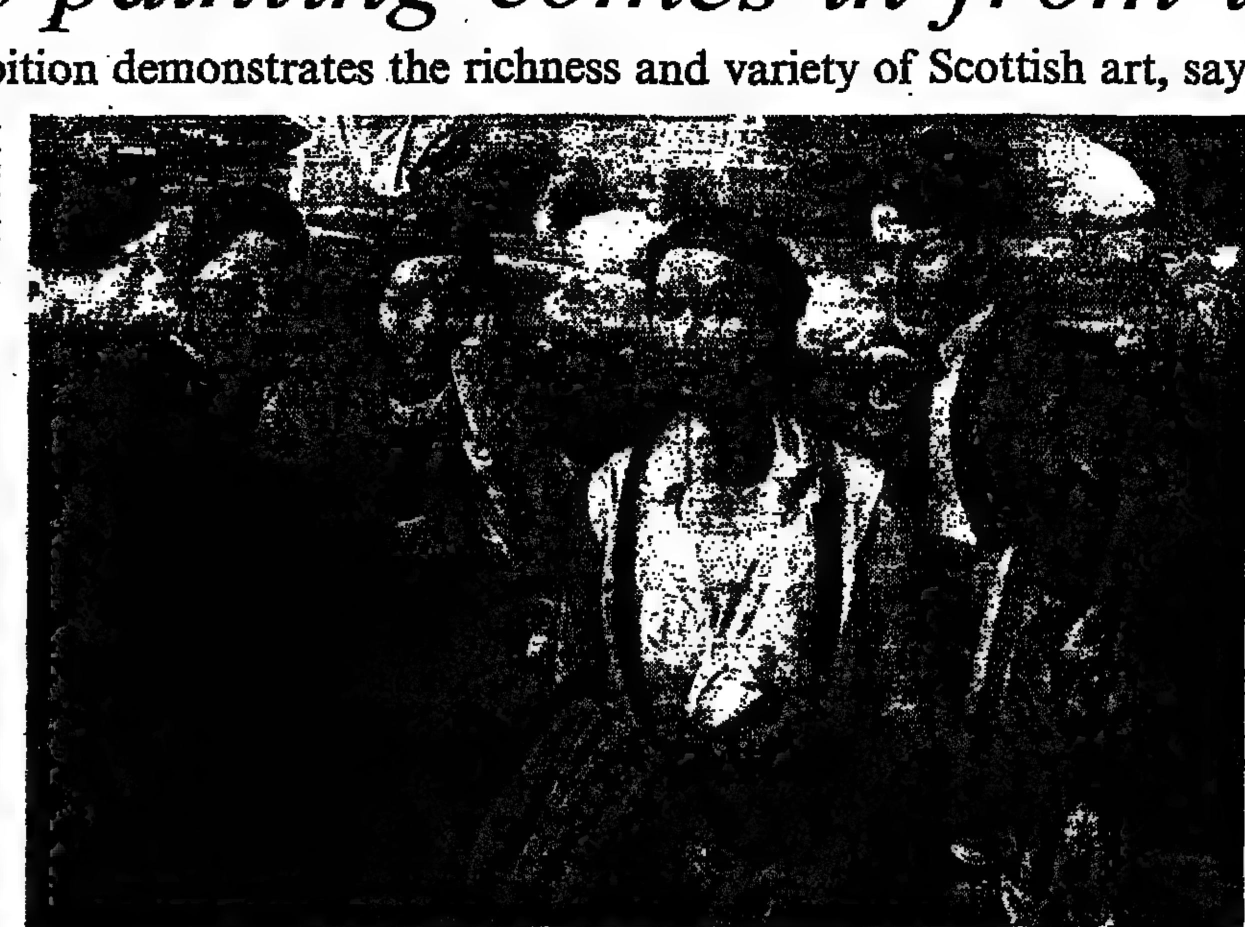
The research project – entitled "economic and philosophical aspects of requirements capture and analysis (RCA)" – will run for one year, possibly two.

So in a few years when BT produces a new product or system, saying "it's for you-oo," it might not only be just what you want, but also have a methodology that's worth copying.

CONTACTS: Belfast University: UK, 0232 245133. SigmaNet: London, 869 4343. AT&T: US, 201 564 4097. Siemens: West Germany, 89 2340. UK, 0932 785691. York University: UK, 0904 430000.

Scottish painting comes in from the cold

The Barbican exhibition demonstrates the richness and variety of Scottish art, says William Packer



Portrait Group, 1932-1940, by James Cowie, one of the strongest British figure painters this century

The major and self-explanatory survey exhibition, *Scottish Art since 1900*, comes at last to the Barbican Art Gallery (until April 16), having first been shown at the Scottish National Gallery of Modern Art in Edinburgh as part of last year's Festival.

That there has been in Scotland, since at least the middle of the 19th century, a vigorous and distinguished national school is incontrovertible, yet to look at our principal institutional collections one would hardly know it. The complete absence of any Scottish work from the Royal Academy's show of British Art in the 20th century in 1987 was merely one of the more notorious cases of conspicuous critical omission. As for the Tate, which has been remarkably even-handed and generous in its representation of most other modern schools in its collections to the extent that there is a fairer overview of modernism to be had in London than anywhere else, it is no less remarkable for its singular neglect of the Scottish.

Things may have improved since 1984, when the last catalogue I have to hand was published. And it is fair to say that artists whose reputations have been made in the south have usually been noticed in the collections – Paolozzi, Turnbull, Hamilton Finlay, Davie, Colquhoun, Bellany, to say nothing of all the young heroes who have come out of Glasgow in the 1980s, all of them prominent in this exhibition. But by 1984 to find no Cadell, but one Peploe, three Fergussons and a single Cowie, one MacTaggart, no Joan Eardley, no Phillipson, a few Gillies, Ann Redpaths and a single Elizabeth Blackadder all bought through the Chantrey Bequest, is to detect a whiff of ancient prejudice.

The Barbican show is more or less chronological in its arrangement, modified by loose association, which works well enough in the earlier sections, especially with the Colourists, Peploe, Cadell and company, familiar though they are. And here, at the outset, it is intriguing to find James Pryde, with his theatrical interiors, an artist too-long and surprisingly neglected, restored to a Scottish provenance.

And later on, as we complete the circuit of the Barbican's upper cubicles, it is good to discover that notorious pair, the Roberts Colquhoun and McBryde, scourge of Soho in the 1950s, shown again as the serious and, in Colquhoun's case in particular, the substantial artists they were. But either the space was limited or the chronology overall too rigorously indulged, for while much ground is covered, and the major figures acknowledged in their turn, there is a certain thinness to the exposition overall, which does the actual material of the exhibition few favours.

For as a sympathetic non-Scotsman who has long been fascinated by the work of the modern Scottish School, I have come to realise that its multifarious and simultaneous richness, its continuity in variety, is its chief quality. To consign James Cowie and John Maxwell to the 1930s, William Gillies and Anne Redpath to the 1940s, Houston, Davie and Eardley to the 1950s, Blackadder and Bellany to the 1960s, is to miss the point. John Houston and Elizabeth Blackadder have been working, and developing in their work, since the 1950s, John Bellany and Alexander Moffatt since the 1960s, and what anyone of them is doing now is as relevant as anything lately produced by Stephen Campbell, Stephen Conroy, Ken Currie or Adrian Wiszniewski.

The idea that the story of a national school is a succession of discrete chapters, with each group supplanting its predecessors and being supplanted itself in critical interest, is patently convenient to curators but it should never be persuasive. The result here is to lay far too much importance upon the achievement of the young, which demeans the collective national achievement of a century and more. More to the point, it makes it less interesting.

But that said, I could hardly recommend this exhibition more highly for the particular pleasures and surprises it affords, from Fergusson's consummately Whistlerian fireworks display of 1905, to Currie's dourly impressive shipbuilders of 1986 – for me Currie is by far the most accomplished and original of all the younger Scottish school. And in between come Peploe at his most succulent, who seems stronger with every painting of his I see, and Cowie, at once one of the strongest and yet most self-effacing of British figure painters this century. The romantic expressionism of Davie, Turnbull and Paolozzi in the 1950s, Phillipson, Crozier, and Houston at the turn of the 1960s, has never seemed more impressive, with the exquisitely refined abstraction of Ian Mackenzie Smith (1963), Margaret Mellis (1941) and John Maclean (1988), all three artists much under-rated, the perfect complement.

Though there is much I might have wished added to this exhibition, there is very little I would have thrown out, very much to admire and enjoy. To have turned away from it for so long has been to our great loss: when it comes to painting and sculpture, the Scots still have much to teach us.

Hallé Orchestra

BARBICAN HALL

The Hallé programme on Sunday echoed the LPO concert last Tuesday closely: again Schumann's piano concerto, again followed by weighty Bruckner. This time it was earlyish weighty Bruckner – the Third Symphony in D minor; the differences between the interpreters' ways with both composers were at least as striking, and often unexpected.

Peter Donohoe, the Hallé's virile soloist for the Schumann, thrust the Romantic drama of the work to within hailing distance of Rakhmaninov. It was a well-proportioned reading as well as robust, and it hewed closely to standard modern lines. Where Cécile Ousset, another kind of virtuoso altogether, had made the smallest details of Schumann's figuration crystalline, recalling his roots in Hummel and Mendelssohn, Donohoe swept it up in big surges (and mostly faster): more overtly heartfelt, if not really more personal. The conductor Stanislaw Skrowaczewski ensured a scrupulous accompaniment in the appropriate vein, a discreet one which left the soloist triumphantly in the foreground. It was odd to realise that despite Kurt Masur's much more competitive partnership, Ousset had made one listen to far more of the actual notes.

The Bruckner Third testified to the marvellous transformation Skrowaczewski has wrought in this orchestra during the past five years. Precise balance among all the orchestral sections, a dynamic range of the most subtle gradations, collective musicianship of high alertness: he drew upon all those carefully cultivated resources to present the Third with the luminous depth usually reserved for Bruckner's last symphonies.

The seasoned breadth of Skrowaczewski's reading, with its sustained periods and its beautifully distinct textures, left room for some sudden, sharp ascents to blazing climaxes, all exactly gauged to what the Barbican Hall can take. It accommodated puckish characterisation, too: an irresistibly comic, countrified Trio in the Scherzo, a witty spring in the step of the third subject in the Finale. Yet again, Skrowaczewski's special tenderness for the 'cellos illuminated parts of their music which generally pass for routine. The news that the Hallé is to lose this eloquent musician from the venerable East European school is a sad blow, for London music-lovers as well as Mancunians. He and his orchestra have been setting remarkable standards, and he is not really replaceable.

David Murray

RPO/Holliger

ROYAL FESTIVAL HALL

Every few seasons Heinz Holliger appears in London to play Strauss's Oboe Concerto, and it has been a recurrent pleasure to follow the development of his interpretation across almost two decades. The technique has remained peerless, but in his younger days Holliger appeared mistrustful of the work's late-bottled romanticism, unwilling to mould its phrases as compliantly as the idiom might indicate. Gradually his account has mellowed, become more rounded, and on Sunday he seemed to have attained a new state of grace. Melodic lines were spun from the most rarefied threads of sound, heedless of the restrictions of breathing and tone control, so that his performance became weightless, hardly touching ground at any point, and borne up by sheer expressive force.

But it seems now to have reached a point of maximum development; if Holliger elects to take it further in the same direction, the sheer sophistication of the phrasing, the fining down of sound, the neat parcelling of every arabesque, may all come to seem merely contrived and idiosyncratic. Already his nuances are by no means easy to follow; Vladimir Ashkenazy did his best with the Royal Philharmonic, though he was never able to balance the soloist's dynamic range with that of the orchestral woodwind.

Ashkenazy then encompassed Straussian extremes by pairing the concerto with the *Alpine Symphony*, that gloriously vulgar essay in musical ecology. He proved a steady, civilised guide, preserving a clear head at the highest altitudes and through the most tendentious passages; by refusing to over-characterise some of the scene painting or underlining the rhetoric, he kept the work on its lumbering course so that it seemed perhaps only ten minutes too long rather than the usual half hour.

The RPO's characteristic sound world, founded on a fine blend of strings and brass, is well suited to such opulence, but is rather less at home in late Mahler, with which Ashkenazy elected to begin. The Adagio from the Tenth Symphony was a curious choice, by no means easy pickings for a conductor without a Mahlerian track record and Ashkenazy's account failed at almost every test. While he could stride confidently through the rangey structure of the Strauss symphony, Mahler's taut purposeful construction defeated him; there was no sense of one phrase building upon its predecessor, or of the switches of tempo and mood being integrated instinctively. What should be one of the most extraordinary and terrifying products of late romanticism seemed mundane and incoherent, not at all purgatorial, at least in the sense that Mahler intended.

Andrew Clements

Le Livre de Christophe Colomb

MONTPELLIER

Last month the Opéra de Montpellier and the Atelier du Rhin from Alsace jointly staged at the Théâtre des Treize Vents, a comfortable modern building outside the town, a production called *Le Livre de Christophe Colomb*. Not the Claudel text originally set as a large-scale opera by Darius Milhaud, first given in Berlin in 1930, but the post-war revision with the longer title, made for the Barrault-Renaud company in Paris, with incidental music by the same composer. The opera *Christophe Colomb* was written for massive forces – actors, singers, chorus and orchestra. *Le Livre* only needs an instrumental group and a handful of chorus. Pierre Barrat, director of the Atelier du Rhin, a company founded to perform mainly new music theatre, was the producer. The Ensemble Carme from Milan under Luca Pfaff provided the instrumentalists. Further performances at Colmar towards the end of March.

For *Le Livre* Milhaud wrote an entirely new score, at Claudel's request including one quotation from the opera – typically, he simply imposed it as a line of counterpoint on some music already finished. His facility concealed formidable experience and skill – he could fill a spoken scene with atmosphere by adding a single melody, rhythm or colour. Compare the trumpet and drum of the recruitment scene in Cadiz harbour with the boisterous fanfares at the same point in the opera. One gain for the dramatic version is the immediately following comic-grotesque scene (usually omitted in concert performances of the opera) where Mexican-Indian gods churn up the sea against the invader.

While the musical means are much reduced, *Le Livre* preserves the total theatre apparatus which must have seemed so new when the piece was written – the multiplicity of scenes and characters, the jumbling of time and place, the narrator, the split characters (Columbus arguing with his alter ego), the different levels and the use of film to illuminate and emphasise points of the action. As often the filmed shots were dimmed by even the lowest stage lighting – they were almost as obscure as similar effects in the television film of Zimmermann's *Die Soldaten* so obligingly shown on Channel 4 a few days previously. Zimmermann's opera appears as a last powerful affirmation of the heroic period of modern opera which *Christophe Colomb* inaugurated over half a century ago.

In the first part, where the sequence is relatively straightforward (the narrator reads incidents, which duly appear on stage or screen, from a large book), Barrat kept the pace swift and effective, and brought it (with Milhaud's aid) to a glowing climax for the discovery of America. In the second, more reflective, analytical part the going was less even. Though the wrangling of Columbus with his critics and his frustrated efforts to see the King made their point, in a curious way the absence of the bigger musical score lessened the impact of Claudel's salty prose.

With the pale stone façades of the old patrician houses washed clean and the new neo-classical "Antigone" complex by the Catalan planner Ricardo Bofill gleaming like freshly-baked biscuits, Montpellier flourishes. For the moment opera is mainly housed in the former Grand Théâtre Municipal, on a central site of an importance no English city would dream of awarding to any theatre. Designed by a young Parisian associate of Charles Garnier, Cassien-Bernard, just over 100 years ago, the solidly grandiose theatre will soon share its duties with a new, larger, up-to-date opera house in another modern complex, the CORUM, under construction not far away. Montpellier has become the headquarters of the new Association Européenne des Théâtres Lyriques (AETL) covering several European countries, formed to encourage "the most European of the arts" concerning itself with the training of singers and technicians, with solving the various operatic problems encountered in EEC countries.

The city already has plenty of musical activity. The Montpellier Philharmonic Orchestra provides symphony concerts (I heard a Russian programme under Ruslan Raychev with a promising young Bulgarian pianist, Lyudmil Angelov) and serves the Opéra as well as the regions of Languedoc and Roussillon. Regular events include an annual music festival run jointly by Radio France and the town – last year they opened with a concert performance of Saint-Säens's *Henry VIII* conducted, at what must have been one of his last public appearances, by John Pritchard.

Ronald Crichton

Hangover Square

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Alastair Muir

Celia Imrie, Dudley Sutton and Anne Lambton

What Sidcup is to Pinter's tramp-caretaker Maidenhead is to George Harvey Bone in Patrick Hamilton's novel, *Hangover Square*: the answer to all problems, the fulfilment of an ideal, the return to a briefly-glimpsed bliss. The main drawback of Cut and Thrust's otherwise atmospheric production of Fidelis Morgan's excellent adaptation is the inevitable lack of feeling or place. Hamilton hymns the shabby gentility of small private hotels, London pubs peopled by remittance men and perpetual hopefuls not yet aware of their incurable failure, young actresses getting lit up before the lights had gone out let alone up again in London. Best known for the plays *Rope* and *Gaslight* both successfully filmed, Hamilton showed himself in his novels to be the post-laureate of the seedy, the lonely, the obsessed.

The unmade bed that dominates Howard Burden's composite set embodies one such obsession. A brief shadowy prologue shows a male figure rape and stab a sleeping woman. Unseen watchers in the darkness hiss and mutter. The word "kill" emerges.

"I have to kill Netta Longden and go to Maidenhead where I'll be happy," agrees Bone. The hard, selfish Netta, a small-time actress, merely uses her lumbering admirer, mocked for the near-amnesiac blank spells that betoken his unrecognised schizophrenia. In the months leading up to the war (and the feeling of an aimless society waiting for something to happen is finely caught), against a background of murky pub society and theatrical tawdriness, Bone is exploited, duped and humiliated until he drowns Netta in the bath to the strains of Ivor Novello.

Hamilton's novel charts the all-pervasiveness of sexual thraldom; how moods of liberation are brought up short by the unsevered rope still tethering the victim. The stage version depicts fewer emotional fluctuations, is more a cumulative catalogue of the betrayals that send Bone into final schizoid disjointedness. Caroline Sharman keeps the action tense by sharing the role of Netta between two actresses. Identically dressed, in each scene they move in and out of character, changing places, one the brittle, goading bitch, the other a voice in Bone's head, warning him of treachery, urging him to revenge. Celia Imrie has the edge in tarty chic, Anne Lambton in baleful ruthlessness.

The novel's gallery of characters is necessarily reduced. Ian Reddington shows the right casual contempt as the fascist Peter, scarcely bothering to hide his dislike for the man he sponges off. The latter is played by Dudley Sutton. Joe Orton's original Mr Sloane begins uncertainly but excels in the awkward social gear-changes of an outsider whose detached observation of normality still can't get it right. He gradually assumes the irretrievable vulnerability of a holy fool, wonderful in his ultimate calm disconnectedness. "I don't think Maidenhead is going to work," he admits after a double murder. In the book he gasses himself. Here he mimes a slit wrist as an actor across the stage pours wine into a glass vase and the water blurs into scarlet. London, the Thames valley, Brighton – the production signposts a whole era. Betjeman's hungover road-house manageress is there somewhere. And so is Graham Greene's murderous Pinkie, that other wanderer groping through a moral limbo.

Martin Hoyle

Domus

WIGMORE HALL

The Domus recital on Saturday was the first of two they are giving that form a link in the chain of events constituting the Wigmore Hall's Bohemian festival.

As recordings have already shown, the combination of energy and lyricism in Czech music suits their style well. One can perhaps imagine quartets in which the string players exude a richer glossiness of timbre or where one can find a more distinctive sound quality overall. But Domus play with an easy confidence borne of close experience working together that makes their performances splendidly balanced and convincing as teamwork.

For this programme they had chosen to begin and end in the 19th century. The Piano Quartet in A minor, Op. 1, by Josef Suk was the composer's graduation piece and it is a score of high romance, not unlike Grieg in its keenness to deliver the goods no matter how much noisy rhetoric may be needed, while in its more sentimental moments the music sneaks over the threshold into the salon. Domus delivered it with panache, as they did the captivating Dvořák E Flat Quartet, Op. 87.

In between came Martinu and another, less familiar, minor Czech masterpiece. The pianist Susan Tomes gave us an amusing description of Martinu's Piano Quartet (1942) as a "prickly hedgehog," which slowly uncurls and in the last movement lets you rub its tummy. But whether or not one can quite visualise it as that hardly matters. The score, energetic and restlessly inventive, is so delightful that the occasional musical prickle will not deter anybody.

In the central Adagio, which Domus played with a fine expressive subtlety, it also burrows to more serious depths. After an opening wartime elegy for strings the music momentarily seems to forget itself and allows the piano to rouse the other parts into a ghostly dance – a most unusual idea, wholly characteristic of Martinu and indeed of the high level of musical imagination promised by any Bohemian festival.

Richard Fairman

ARTS GUIDE

February 9-15

OPERA AND BALLET

London

Royal Opera, Covent Garden. The long-awaited new production of Borodin's *Prince Igor* by Andrei Serban is a collaboration of the Royal Opera and Ballet, conducted by Bernard Haitink, and features a splendid cast of Eastern European principals: Sergey Leiferkus in the title role, Anna Tomowa-Sintow, Elena Zaremba, Alexey Steblyanko, Nicola Ghiuselev, and Paata Burchuladze.
Royal Ballet continues with its ceaseless performances of *Swan Lake* at Covent Garden.

Paris

Théâtre des Champs Elysées. European 18th Century baroque operas conducted by Rene Clemencic: *Croesus* (1730), a German 3-act opera in concert version (Tue). *La Purpura de la Rosa* (1701), a 2-act Spanish opera in concert version (Fri) (47203637). **Opéra.** The Hamburg Ballet presents John Neumeier's *Peer Gynt* inspired by Henrik Ibsen. Paris Opéra orchestra conducted by Eri Klas (47425371).

Antwerp

Koninklijke Vlaamse Opera. Royal Flanders Opera in Haydn's *L'Infedelta Delusa*. La Petite Bande Orchestra conducted by Sigiswald Kuijken staged by Philippe Lenael with Nancy Argenta, Lena Lootens, Christophe Pregardien.

Milan

Teatro Alla Scala. Lorin Maazel conducts Beethoven's *Fidelio*, sung in German, in co-production with the Théâtre du Chatelet in Paris under Giorgio Strehler, with sets by Ezio Frigerio. Jeannine Altmeyer, Thomas Moser and Kurt Rydl lead the cast (80.91.26).

Turin

Teatro Regio. Sylvano Bussotti's production of Puccini's *Turandot* conducted by Yuri Ahronovitch, with Sophia Larson in the title role, and Nicola Martinucci and Elena Mauti Nunziata (8815.241).

Rome

Teatro dell'Opera. Bellini's *I puritani* conducted by Spiros Argiris, with Mariella Devia and Chris Merritt. Sandro Sequi's production uses the sets and costumes designed by Giorgio de Chirico for the 1933 edition of the opera at the Florence Maggio Musicale (46.17.55).

Florence

Teatro Communale. Luciano Berio conducting two of his own works: *Rendering* and *Afardm*, with the Finchley Children's Music Group conducted by Ronald Corp and mezzo-soprano Esti Kenan Ofri (2779236).

Berlin

Opera. *Der Barbier von Sevilla* returns with a new cast led byJane Giering, Barbara Scherler, Clemens Bieber, Wolfgang Glashof, Manfred Roehrl and Bengt Rundgren. *La traviata* stars Julia Varady in the title role. *Elektra* features Ute Vinzing, Ruth Hesse, Sabine Hass, Hans Beirer and Gerd Feldhoff.

Hamburg

Opera. *Idomeneo* under the superb musical direction of Gerd Albrecht with Josef Protschka, Roberta Alexander, Ning Liang, Joanna Kozlowska and Kurt Streit. *Tosca* has Maria Guleghina in the title role, Luis Lima and Juan Pons in other parts. *Othello* convinces thanks to Wladimir Atlantow, brilliant in the title role.

Cologne

Opera. *Die Fledermaus* is a well done repertoire performance with John Hurst, Alfred Kuhn and Gabriele Fontana.

Bonn

Opera. *Macbeth*, produced by Jean-Claude Riber with sets by Michael Scott will have its premiere this week, with a strong cast led by Eduard Tumagian, Francesco Ellero d'Artegna, Elizabeth Connell, conducted by Gianfranco Masini.

Frankfurt

Opera. *Ariadne auf Naxos* has fine interpretations by Helena Doese, Gail Gilmore, Hellen Kwon, Christopher Robertson and Michael Sylvester. Also offered William Forsythe's ballet *Artifact*, and Gluck's rarely played *Iphigenie en Tauride* with Sylvie Brunet, Gregory Yurisich, François Le Roux, Keith Lewis and Anni Tzonkov.

Munich

Opera. *Fidelio* will be conducted by Hans Martin Schneidt with Hildegard Behrens, Theo Adam and Rene Kollo. *Der Rosenkavalier*, produced by Brigitte Fassbaender with Judith Beckmann, Barbara Bonneyand Helmut Berger-Tuna.

Stuttgart

Opera. *Die Entführung aus dem Serail* has Tomoko Nakanura, Yasuko Kozaki, Uwe Heilmann, Heinz Goehring and Helmut Berger-Tuna as leads. Three ballet evenings with John Cranko's choreography, danced to music by Stravinsky.

New York

Metropolitan Opera. Charles Dutoit conducts the seasonal premiere of Nathaniel Merrill's production of *Samson et Dalila* with Shirley Verrett, Placido Domingo and Simon Estes. *Il Trovatore*, conducted by Rico Saccani, features Susan Dunn as Leonora, Ermanno Mauro as Manrico and Lajos Miller as Count di Luna.

Tokyo

Tokyo Ballet. *Sleeping Beauty* with Yukari Saito, Naoki Takagishi (Mon), Mayumi Katsumata, Yasuyuki Shutoh (Tues). Tokyo Bunka Kaikan (725 8888).

SALEROOM

For the love of a dog

The love of a man for his dog was well illustrated at Bonhams' Dogs in Art auction yesterday morning when a Belgian buyer paid £6,600 for a study for the head of a red setter which had carried a top estimate of £900. Presumably the portrait painted by Henry Crowther in 1930 reminded the new owner, who fought off a keen rival, of a particular four legged friend.

Across London at the Park Lane Hotel in the Silver & Jewellery Fair a silver dog collar, which around 1860 had graced the neck of the pet a younger son of the Earl of Lonsdale, sold for £800. It was one of the more modestly priced items in a Fair which did reasonably well, but lacked strong American interest.

Koopman sold a Belgian silver casket of around 1680 for £160,000 and ADC Heritage a pair of Matthew Boulton silver wine coolers of 1819 for £58,000. Among the jewellery, 1960s items were popular and an 18 carat gold necklace with a pendant of black enamel and jade with rubies made by David Webb, sold for more than £23,600 at the Leslie Kaplan stand.

Antony Thorncroft

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Tuesday February 13 1990

Selling power at any price

THE THATCHER Government yesterday cleared away the last formal obstacles to a flotation of the British electricity industry in the autumn, rather to the surprise of its own advisers.

The final drafts of the regulatory licences, and the announcement that domestic electricity prices will remain roughly constant in real terms, show that agreement has now been imposed upon an industry which, six months ago, was divided in bitter argument.

These disputes were about the many ingenious ideas which the 12 area boards, the two generating companies and the National Grid Company had advanced for tilting the billiards table towards their own favoured pockets. Since a tilt in favour of one player must disadvantage others, these disputes seemed almost insoluble, especially in a market of hideous complexity.

Mr John Wakeham, who took over as Energy Secretary in the summer with a brief to stop the quarreling, quickly grasped the central difficulty: the Government's notion of a free for all electricity market was incompatible with the heavy monopoly forces which would remain in the industry after privatisation. An electricity market could never be free, and it could only be efficient if it were policed by an established and knowledgeable regulator.

Market forces

Since the new regulator, Professor Stephen Littlechild, was busy hiring staff last autumn, the Government's best hope of an early flotation was to put market forces back in their cage. So it was announced that for four years, the distribution companies would be secure in their local monopolies. The ability of generators to "poach" their customers would be limited for a further transitional four-year period. Then the Government belatedly accepted that the cost structure of Britain's nuclear industry was incompatible with private enterprise. Plans for nuclear power were scaled back sharply and the whole lot retained in the public sector.

The severe limits of the remaining electricity market were emphasised yesterday when the Government confirmed that the special cross-subsidies given to heavy industry would be continued after privatisation. Although these subsidies will last only for a transitional period, they are hardly compatible with normal private sector competition rules. This provision has been combined astutely with an assurance that domestic electricity prices will not rise by much more than the inflation rate for the next few years and that the special levy to finance nuclear energy will be gradually reduced from the initial 10.6 per cent.

Minimum fuss

These dispositions all reflect one overriding political priority: to get the industry to the auctioneer on time and with the minimum public fuss. This has been achieved efficiently but not without cost. In the short term, the cap on domestic electricity prices and the confirmation of British Coal as the monopoly supplier to power stations will reduce the proceeds of the sale far below the £40bn book value of the industry and significantly below what many people were expecting a year ago.

In the longer term, society may pay a much higher cost resulting from the far from ideal structure which the Government has imposed on the industry. It is being sold with too many monopoly distributors, too few competing generators with a powerful profit-making monopoly – the National Grid Company – in control of all the main highways to a market in electricity.

A successful market in electricity would have had much more chance if the Grid had been strictly independent and probably non-profit making as an intermediary between perhaps four generating companies and five distributors. Then the elaborate regulatory safeguards constructed in the last 12 months would have been less necessary. The Government hopes that the present corporatist structure will gradually give way to a more competitive industry. It may do, but the forces of collusion will be immensely strong and the regulator will need great cunning and persistence to overcome them.

Slowing the missiles race

AMID THE current transformation of the European map, one part of the world – the Middle East – is most emphatically not becoming a safer place.

On the contrary: with the superpowers moving swiftly to bring their nuclear and conventional arsenals under control, Middle Eastern powers are embroiled in a continuing race to acquire ever more sophisticated weapons systems. How to control this proliferation at a time of minimal progress towards a settlement of the region's conflicts is likely to remain a perplexing question for East and West alike.

The regional arms race is not exactly a new phenomenon, but the eight-year Gulf war pushed it to a new pitch. What is causing particular concern today is the spread of ballistic missiles capable of carrying nuclear, chemical or biological warheads over medium to long distances. It suggests that any future conflict in the Middle East will be more destructive than anything seen hitherto.

Both Mr James Baker, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, have spoken repeatedly in the past year of the dangers posed by the spread of weapons of mass destruction in the Middle East. They are worried not only about the power and reach of the weapons involved but also about the number of countries now possessing them, and developing the capacity to build ballistic missiles of their own. Apart from Israel, which has repeatedly test-fired the nuclear-capable Jericho II missile, they include Iraq, which has made striking advances in co-operation with Egypt and Argentina towards production of the medium-range Condor II.

Implemented secretly

Western efforts to tackle the problem hitherto have been curiously patchy and low-key. They are centred on an international agreement known as the Missile Technology Control Regime (MTCR) under which the Group of Seven industrial countries (with the recent addition of Spain) undertake to prevent the transfer of equipment that might contribute to the production of nuclear delivery systems.

Originally proposed in 1983, the regime was implemented secretly in 1985 and not publicly announced until two years later. It has not enjoyed conspicuous high-level support from most of its signatory governments, and examples abound of western (notably European) companies circumventing its restrictions.

Limited scope

Part of the problem is the limited scope of the regime. From the outset, the Soviet Union refused to join, arguing that it was one-sided. Nor have other major potential or actual technology suppliers such as China, Argentina and Brazil been directly involved.

Another difficulty lies in the ambiguity over precisely what equipment the regime covers. Many of the items affected have both military and civilian uses, a fact which creates sizeable loopholes for would-be exporters. In the case of the Middle East, the arms race has acquired a momentum of its own which gives all sides in the conflict every incentive to try to exploit those loopholes.

More to the point, it is hard for the US, which has taken a leading role in pushing the MTCR, to argue plausibly that Arab states should be prevented from acquiring such weapons while Washington flouts at least the spirit of the regime by supplying advanced technology for Israeli missile systems.

For all these reasons, expectations of what can be achieved in curbing missile proliferation must necessarily remain limited. But the MTCR does provide a basis on which to build. In recent discussions with the US, the Soviet Union has been showing greater interest in co-operating on this issue. Washington has also quietly stressed the missile danger in talks with China, Argentina and Brazil.

The emphasis now must be on giving the issue a higher priority and profile, extending the number of MTCR signatories and stepping up enforcement activities. While it would certainly not halt the spread of missile technology, such an effort would stand a good chance of slowing it down.

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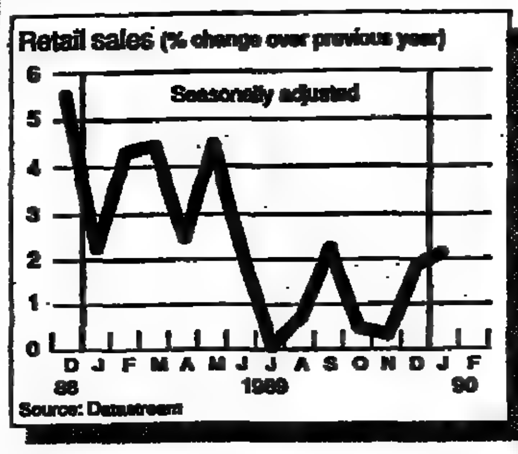

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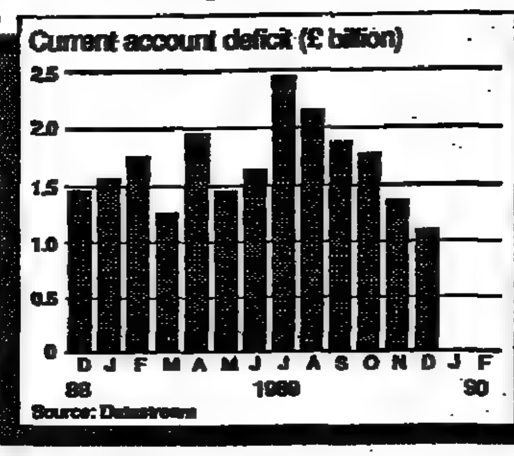

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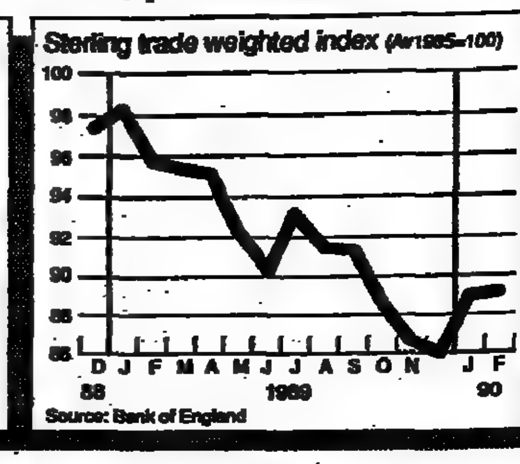

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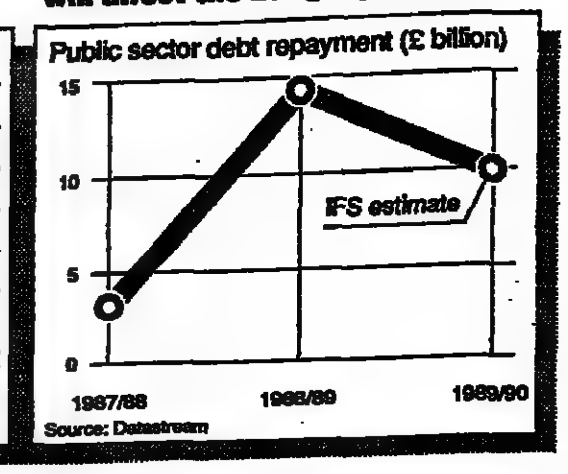

Peter Norman begins a series on the options facing Britain's Chancellor

A Budget shaped by events abroad

By all accounts, Mr John Major, the Chancellor of the Exchequer, did not enjoy his brief spell as British Foreign Secretary last summer.

But his experiences in the Foreign and Commonwealth Office should prove unexpectedly useful as he prepares for his first Budget on March 20.

As Mr Major and his officials toil away in purdah, events abroad are playing an increasingly important role in determining this year's Budget priorities.

By last week, the prospect of currency union between the two Germanys and the possibility that this would push interest rates higher first in Germany and then elsewhere appeared every bit as important as the latest news of economic slowdown or high wage demands in the UK.

Although the British Budget seems a uniquely insular affair, rich in tradition and eccentricity, the Chancellor on Budget Day will be conscious that he is just another finance minister of a small, open economy, forced to balance domestic and international economic and political considerations in his fiscal planning for the following year.

Mr Major's main domestic goal in the Budget is simple enough and he has stated it many times. He must frame policies that will get "inflation down and decisively down." This points to continued fiscal and monetary tightness.

In doing so, he will have to devise a policy mix that is acceptable to the international financial markets which must finance Britain's declining, but still large £15bn annual current account deficit.

In many respects, however, the Chancellor will be tapping his way in the dark when finalising the details of the all important "Budget Judgment" which makes the tax changes needed to achieve the Government's economic policy objectives.

- East Germany's first democratic elections, which may have important repercussions in international financial markets as well as in international relations generally, will be held just two days before he stands up in the House of Commons to reveal the secrets held in Mr Gladstone's red and gold Budget box.
- Although recent economic data has suggested that the hoped for slowdown in the British economy is on course, he is unlikely to have seen any easing in domestic inflationary pressures by March 20.
- Between now and the Budget it is more than likely that the Treasury's assessment of the economy will be buffeted by seemingly erratic movements in economic data. An extreme example was yesterday's news of a provisional 1.3 per cent drop in retail sales volumes between December and January. These figures were announced only hours after the latest CBI/FT distributive trades survey had indicated continued buoyancy in high street spending.

The Budget, which will be the first to be televised, will also be a supreme political test for Mr Major.

He will be anxious not to increase the Conservative Party's unpopularity at a time when it is lagging in the opinion polls and Tory backbenchers are increasingly apprehensive about the effects on the electorate of the community charge or poll tax bills. More importantly, he must give the party and his Downing Street neighbour, the Prime Minister, the sense that economic policy is on course for election victory in 1992 at the latest.

But mid-term Budgets like this year's tend to be unexciting, while problems with the economy and differences in style between Mr Major and Mr Nigel Lawson, his predecessor, argue against expectations of radical change.

Mr Major is thought not to be deeply committed to tax reform in the way Mr Lawson was. Instead, his earlier spell as Chief Secretary to the Treasury has given him a greater interest in the public spending side of the Britain's two stage annual budget process.

Unlike Mr Lawson, the Chancellor has been actively seeking out the views of Conservative MPs. This could nudge him in the direction of consensus as could his tendency to consult a wide variety of Treasury officials rather than a small circle of trusted advisers close to Mr Lawson.

The timing of Mr Major's sudden elevation to the Chancellorship just over 100 days ago could militate against any novel tax moves in the Budget.

He returned to the Treasury in the middle of the October to December period when preliminary papers on new tax ideas are normally prepared and discussed between the Chancellor and his officials.

More important, the present state of the British economy leaves Mr Major little room for manoeuvre.

There has been some good news over the past month. Britain's current account deficit declined for the fifth successive month in December. The pound has been steady on foreign exchange markets. The large jump in December retail sales was revised down slightly with the result that they grew last year at their slowest rate since 1982. The outstanding total of consumer credit dropped by £39m in December, the first such fall since records began.

Offsetting this evidence that 15 per cent base rates are successfully cooling the economy are signs of continuing inflationary pressures.

By international standards, Britain's annual inflation rate was a high 7.7 per cent in December. Although a lower annual rate is expected for January as last year's mortgage interest rate increases drop out of the index, many price rises are pending. These range from higher prices for seasonal foods, bread, tea, alcohol and petrol last month, through last week's increases in British Rail and London Underground fares to April's switch from domestic rates to the community charge, which could add around 0.5 percentage points to the retail prices index.

The underlying inflation rate, minus mortgage interest payments, appears stuck around 6.1 per cent and may go higher before it falls.

More worrying for the Government

is the pattern of wage claims and increases and its impact on unit costs. In the light of January's 10.2 per cent pay settlement at Ford, officials took little comfort from last week's report from the Confederation of British Industry that manufacturing pay settlements averaged 8.1 per cent in the fourth quarter last year compared with 8.2 per cent in the third quarter.

The Government finances have also started to show signs of weakness. Last month, in the Parliamentary debate on the Autumn Statement, Mr Major disclosed that the 1989-90 budget surplus, or public sector debt repayment, would be "somewhat less" than the £12.5bn forecast in November. The City in general expects the surplus could fall to at most £10bn.

The surplus was the last jewel in the economic crown. It was also significant for the Budget process because the surplus or deficit left after accounting for Government revenues and spending is used to describe the Government's fiscal stance.

A £10bn surplus is large by any standards and in the years before the rapid economic expansion under Chancellor Lawson would have prompted a plethora of pre-Budget speculation about tax cuts. It is a sign of how far Mr Major has squeezed expectations of tax cuts that the Institute of Directors has been almost a lone voice in calling for a £5bn cut in taxes on business and individuals this year.

Given Britain's deep seated inflation problem, the PSDR's decline from the £14bn originally forecast for the 1989-90 financial year in last year's Budget has caused concern on financial markets.

Partly for this reason, the independent Institute for Fiscal Studies last week suggested that Mr Major might seek to tighten the fiscal stance slightly by raising around £1bn through discretionary tax increases in his Budget.

The IFS arithmetic started from the premise that the 1990-91 PSDR would be around £10.5bn if Mr Major left tax policies unchanged. That would mean no change in the two income tax rates of 25 per cent and 40 per cent, while the tax free allowances would be increased as usual in line with inflation, as would certain excise duties.

To tighten policy, the IFS suggested that the Chancellor might opt for the non-indexation of tax free allowances, raising perhaps £1.5bn, and put further tax burdens on company cars. This way it could increase the PSDR while offsetting tax losses of perhaps £500m to £1bn in the coming year resulting from the introduction of separate taxation for spouses.

The Government would also have leeway not to index all duties because of their impact on inflation.

Like many commentators, the IFS singled out the environment as another area for action on the tax front although the Treasury will again be constrained from radical tax increases on pollutants because of the adverse inflationary impact.

As always the Budget will contain a host of detailed tax provisions. However, Mr Major has already indicated that he is opposed to raising income tax rates or radically changing the existing corporation tax system. He has also held out little prospect of further action to encourage personal savings.

One reason for tightening the fiscal stance would be to create scope for a reduction in interest rates later this year once the course of inflation is clearly on the downward path. Lower interest rates could become a priority if distress among mortgage payers and in the retail trade spreads to other sectors of the economy.

However, although the idea of non-indexation of allowances has widespread support among Treasury officials, it is far from clear that Mr Major will want to go down this path. An FT survey of Conservative MPs last week showed that three quarters of those polled opposed non-indexation of allowances. Perhaps more significantly for the Chancellor, a tight fiscal policy might undermine rather than support the pound exchange rate.

Exchange rates derive their strength or weakness from a mixture of fundamental economic conditions and the level of interest rates relative to other countries. In an age of unhindered international capital movements, interest rate differentials have become increasingly important. The strength of the US dollar in President Ronald Reagan's first administration showed that countries are not penalised for lax fiscal policies so long as monetary policy stays tight.

Although much can change between now and Budget Day, a tightening of fiscal policy could mean problems for sterling if financial markets saw it as a prelude to an eventual drop in UK interest rates.

This is because of the recent turmoil on the West German bond market and strong expectations of higher West German, and possibly Japanese, interest rates.

The belief in financial markets is that the Bundesbank will have to boost German borrowing costs to head off any inflationary effects of a currency union between West and East Germany or because of the increased claims on the German bond market of West German government borrowing to support German political union.

Last week, the Bank of England in its latest Quarterly Bulletin made clear that any weakening of Sterling could pose a grave threat to Britain's counter-inflation effort. It urged Mr Major to "maintain a firm fiscal stance and to prevent any relaxation in monetary conditions."

All these factors are potentially bad news for an ambitious politician like Mr Major who has an eye on eventually succeeding the lady next door.

It is likely therefore that he will treat this year's Budget as a relatively minor event in a bigger programme of tax and spending changes. If international conditions allow, Mr Major's stewardship of the economy this year will probably be more notable for selected increases on public spending on health, education and transport in the November Autumn Statement.

Boosting such priority programmes could be possible if defence cuts yield a "peace dividend." That would leave the 1991 Budget as Mr Major's opportunity to set the economic policy framework for the Conservative party's bid to win the next election.

OBSERVER

Bruges goes to Vienna

■ The Bruges Group, founded last year to oppose a federal Europe, grows steadily more ambitious. In November it will hold its Congress of Vienna to draw up a constitutional plan for the continent, no less.

Patrick Robertson, the Group's Secretary, says that the first choice of venue was Prague, but it was decided that Vienna might be more comfortable and more practicable. Besides, he adds, the hope is that Vienna will become to the Europe of the future what Brussels is to the Europe of today: an international centre in the middle of the Community.

"We are taking great care to minimise the role of the 12," Robertson explains, referring to the existing Community members. The EFTA countries and the Japanese will also be invited.

Robertson has moved some way since he took time off from reading history at Oxford to get the Bruges Group started. The original idea was to back some of the ideas in Margaret Thatcher's speech in Bruges in September, 1988. That was when she declared her commitment to a wider Europe and her hostility to federalism and a Delors-type socialism.

"Now," says Robertson, "it is clear that the Government does not have a European policy at all. It makes it up as it goes along. So it is up to the Bruges Group to go on the offensive, look at the Treaty of Rome and see what might go in its place."

There will be a number of preliminary meetings between like-minded economic liberals around the capitals of Europe before the Vienna Congress. And, at the British end at least, there appears to be no shortage of funding. Robertson says that the Bruges Group could probably pay for the entire conference programme alone, but that would not look too good. It will probably settle for two-thirds.

Zero upon zero

■ A footnote to hyperinflation. The Argentine economic research institute, FIEL, estimates that the government's fiscal deficit for January was in the region of 100,000m australs, or 100,000,000,000 australs, whichever way you care to write it.

In US dollar terms, that is roughly $38m at last week's exchange rate. In the 12 months between January 1989 and January 1990, accumulated price increases have amounted to 8,164 per cent.

Trumps apart

■ Not too many crocodile tears were being shed in New York yesterday for the 41-year-old Ivana Trump, the Czech-born former model whose marriage is being put to an end by Donald Trump, the billionaire property developer and casino operator.

Trump, the man who puts his name on everything he touches, from the old Eastern shuttle to the gambling halls of Atlantic City, is said to have told his wife that their 13-year marriage was over just before going off to Tokyo last week for the Mike Tyson-Buster Douglas fight.

Gossips are divided over the cause of the de-merger, with some claiming that Trump, whom Ivana refers to as "The Donald", had found his wife increasingly "arrogant" and was worried that she might be turning into "another Leona Helmsley" – a reference to the lady whose style and tax problems recently caught up with her.

Another school has it that "The Donald" has been captured by at least one of a bevy of beautiful blonde actresses

"Can nothing ever free Margaret Thatcher from being a minority of one?"

seen in his company.

Where everybody seems to agree is that Trump has moved out of the $20m, 50-room triplex he and Ivana share at Trump Tower, the Fifth Avenue monument to nouveau taste that counts the Prince of Wales among its occasional occupants.

There is also agreement that Ivana is unlikely to launch much of a legal battle for her husband's billions. A pre-nuptial agreement that was last updated a couple of years ago entitles her to a $20m settlement, plus the Trump mansion in Greenwich, Connecticut. Czech girl made good.

Free speech

■ "When we left the Soviet Union, it was a big island of lies," Mstislav Rostropovich, the cellist and conductor, said yesterday after an emotional return to the homeland which exiled him 16 years ago. "Now it is cleansing itself of lies, everything is permitted to be said."

To prove the point, Rostropovich then set about saying it. Along with his wife, the Bolshoi's former lead soprano, Galina Vishnyevskaya, he faced the press. The case for returning Soviet citizenship to the writer, Alexander Solzhenitsyn, his great friend who was expelled in 1974, was overwhelming, he said.

"The charges against him should be removed, then I believe Alexander will return. It is a matter of conscience, a matter of revoking the ridiculous and terrible charges against him."

Beside Rostropovich on the platform was the Minister of Culture. After an uncomfortable pause and some waffling, the Minister said that he wished it was up to him. "It is up to the Supreme Soviet to make this decision," he concluded.

Turkish tale

■ Here is a story currently going the rounds of the Turkish capital, Ankara.

Yildirim Akbulut, the country's newly installed Prime Minister, makes his first trip to Moscow, taking his wife. While Akbulut is immersed in talks with Mikhail Gorbachev, the wives of the two leaders chat among themselves. "My husband gave me an Anadol (a Turkish-made car) when he became Prime Minister," says Mrs Akbulut beaming. Raisa Gorbachev frowns. "Personally, I would have preferred a Picasso," she says. "Ooh." says Mrs Akbulut "How many doors does that have?"

Seeing that her question does not go down well, Mrs Akbulut later repeats the conversation to her husband. "Oh, my God." says the Turkish Prime Minister. "They will think we are idiots. Never mind, my dear, but make sure you go out and buy a swimming costume."

"Why do I need a swimming costume?" asks Mrs Akbulut, puzzled. "Because the Gorbachevs have asked us to go to Swan Lake with them tomorrow," replies her husband.

FOREIGN AFFAIRS

Soldiers, we still need you

By Edward Mortimer

Last December, at the beginning of the school holidays, a highly respected and rather conservative West German journalist collected his children from an English boarding school. The chance was too good for an enterprising head teacher to miss, and he was asked to address the end-of-term assembly (parents and children). What exactly he said I don't know, but the tenor of it may be guessed from what happened afterwards. A fellow parent came up and introduced her 17-year-old son who, she said, was about to go to the Royal Military Academy at Sandhurst. "Do you think," she asked, "that he's choosing the wrong career?"

The same question is being asked these days by some for whom a change of course would no longer be such a simple matter. The Inspector-General of the Bundeswehr, I am told, was earnestly explaining to a private seminar last week that the military would still have a useful role to play, for instance in protecting the environment and disaster relief. And this in the week when columnists in British newspapers have been warning us that German unity will lead to the break-up of Nato and the overthrow of Mikhail Gorbachev by hardliners; or that Mr Gorbachev has increased the risk of war by abdicating his responsibilities, replacing argument and persuasion with the politics of the mob.

These are very confused times. Should we be assigning our armed forces to purely environmental duties, or should we be rearming desperately to meet the threat of a hardline Russia and a resurgent Germany? Boringly, I tend to believe neither in the millennium nor in the apocalypse.

Obviously there are Russians who feel very nervous about German unity, and either they include Mr Yegor Ligachev or he was making a strong bid for their support in his speech to the Central Committee last week. On the whole I would back Mr Gorbachev's sense of what Soviet public opinion will take against Mr Ligachev's. If there is a hard-line coup against him the new regime will have its hands full trying to restore order in the Soviet Union – but there is a risk that appealing to national unity against the German menace is one tactic that it might use.

The idea of a united Germany really becoming a military threat to the rest of Europe strikes me as even further-fetched. It is true that the excitement of the East German revolution and the sudden prospect of unity have allowed Germans in both East and West to rediscover nationalism. But a military threat? I suppose I am absurdly complacent but I just cannot see it. If anything the danger is the opposite – that in their euphoria the Germans will think all armed forces, and all defensive alliances, have now become an expensive and unnecessary anachronism; that they will eagerly accept both neutrality and demilitarisation, not as the price to be paid for unity but as the bonus that comes with it.

There is no reason to doubt the sincerity of today's West German leaders, both government and opposition, when they proclaim their eagerness to achieve German unity in the context of a "peaceful European order" which overcomes the division of Europe. They rightly recall that such an order was laid down as an objective by Nato itself as long ago as 1967. More worrying to Nato is the formulation used by Mr Karsten Voigt, the SPD's leading thinker on defence and foreign affairs, that "when the security of the western states can be guaranteed" in such an order "without Nato," Nato will "have fulfilled its purpose and become superfluous."

For the time being that is opposition thinking, but it is now by no means unimaginable that by the end of this year Mr Voigt's party could form the federal government of a united Germany. And even in the present governing parties there are people thinking on similar lines. They are clearly against West Germany leaving Nato. That they would be against Nato being merged with the Warsaw Pact in a wider pan-European security organisation is far less clear.

It is now quite on the cards that some such organisation will emerge from the "Helsinki Two" summit this autumn. In theory it could be formed by the two alliances coming together, with each remaining in being as a separate substructure. But, besides the problem of fitting the neutrals into this structure, the symmetry of it would be false and artificial. Nato and the Warsaw Pact never were equal and opposite alliances. Nato was not formed to resist the Warsaw Pact, which it predated by six years, but to resist the Soviet Union. Nato has been a free alliance of democracies (with the exception of Portugal before 1974 and Greece during the rule of the Colonels). The Warsaw Pact simply formalised the military subordination of eastern Europe to Moscow. To enshrine it in the new pan-European institutions will look like an attempt to prolong that subordination – and it is far from certain that elected governments in, for instance, Czechoslovakia and Hungary will stand for it, especially if, as now seems to be generally assumed, East Germany is allowed to leave.

Mr Gorbachev has apparently accepted in principle the idea that the united Germany will belong to Nato,

although what is now East German territory would be demilitarised. Mr James Baker has confused the issue, and perhaps given more encouragement than necessary to German neutralist tendencies, by suggesting that the new Germany would be only an "associate" rather than a full member of Nato. The next suggestion might be that Germany should belong to both alliances, given that they are no longer supposed to be mutually hostile.

All this is rather fun, but we are in danger of losing sight of the purpose of Nato, which is to deter aggression *by preparing to meet it with a common defence.* If Nato is to remain in being at all, it must surely be on the grounds that the Soviet or Russian threat, even if much diminished, has *not wholly disappeared. Indeed in one* way it could be said to have got worse.

The Soviet Union of Brezhnev was really the ideal adversary for a defensive alliance: vastly overarmed and controlling half of central Europe, it made the need for deterrence almost self-evident, yet its behaviour was exceedingly cautious and predictable. By contrast the Russia of the 1990s looks rather weak and chaotic, and will probably be separated from western Europe by a belt of genuinely independent east-central European states. It will also, if present trends and agreements hold, get rid of some of its weaponry and demobilise a large part of its army. Yet it will remain potentially and in all likelihood actually, by far the strongest military power on the Eurasian landmass. What kind of political leaders it *will have is surely impossible to predict*, but there must be at very least an outside chance that they will be xenophobic; they could well be less averse to risk-taking than Leonid Brezhnev, and less averse to the use of force than Mikhail Gorbachev.

Certainly we should do our best to get the "peaceful European order" firmly in place while Mr Gorbachev is *still* around, but it would surely be unwise to do away with any capacity to organise a collective defence against Russia until we are much surer that Mr Gorbachev's democratic *reforms and peaceful policies have* taken a permanent hold.

Ideally that collective defence should continue to embrace both America and Germany, as Nato now does. Clearly there is a risk that either or both will opt out – America remaining a theoretical guarantor of European security but declining any longer to maintain a standing army in Europe, Germany retaining its western alignment politically but declining any longer to accept foreign troops on its soil. Both developments can be made less likely, but also less dangerous, if western Europe organises its own defence.

American leaders have repeatedly said that it will be easier to maintain US support for the Alliance if the Europeans show a willingness to defend themselves – something which should now be feasible with lower levels of troops and weaponry than in the past. France, it seems, would be willing to integrate its own forces into a European military structure, though not into the present US-dominated Nato structure; and Germany would probably also find it politically more acceptable to join in a European army than to continue playing host to the forces of the two superpowers.

In the past such a defence union has been one of the dreams of European federalists, who have assumed that it would form part of the political dimension of the European Community. But by now it should be clear that the EC has no such vocation. Its role is indeed political as well as economic, but essentially civilian: it must be able to reach out to the former Soviet satellites without appearing to marshall them in an anti-Soviet military alliance. The appropriate body for defence integration is the Western European Union, including as it does Britain, France, Germany, Italy, Spain, Portugal and the three Benelux countries, but none of the more problematic EC countries from Nato's point of view (Ireland, Greece, Denmark) nor yet Turkey, a Nato member which is problematic from the EC's point of view.

At the Wehrkunde defence conference in Munich the weekend before last the strengthening of WEU was urged by General Brent Scowcroft (President Bush's National Security Adviser), by Mr Manfred Wörner (Nato's Secretary-General), and by the French and West German defence ministers. Only their British colleague, Mr Tom King, failed to mention it. Apparently he is all in favour: he just forgot.

Let us hope that Mr King or his cabinet colleagues will soon make good the lapse.

Trumped by Mr Mandela

Joe Rogaly discusses the debate on South African sanctions

The very first word spoken in public by Mr Nelson Mandela after 27 years in prison was *amandla* – power. He repeated it, then added *mayibuye!* – arise! This is a ritual opening to an African National Congress meeting. Its use on the Cape Town City Hall balcony on Sunday evening is nevertheless of more than ritual significance. It indicates at once, in a few short Xhosa syllables, that Mr Mandela has not emerged from prison as an Uncle Tom, as some conservatives in both Britain and the US may have hoped. His signature on a constitutional settlement will not be cheaply bought.

His speech, with its salutes to erstwhile Communist Party comrades, its rhetoric about the continuation of the "armed struggle" and its clear call to the outside world to maintain sanctions, indicated that his priority is to cement his relationship with the ANC and associated organisations. He is, however, more than a mere stern, unbending leader of black South Africans. His tone at his first press conference yesterday was both astute and emollient. While maintaining his position in all respects, he emphasised his desire for a peaceful settlement, and stressed his awareness of the fears of whites.

What we have here, in short, is a major player in the global market for political influence created by the invention of television. He is perfectly able to trump such aces as are thrown down by President de Klerk – or for that matter the British Prime Minister, Mrs Margaret Thatcher. She was too quick to honour her tacit agreement with Mr de Klerk and call for a relaxation of sanctions as soon as he announced that Mr Mandela would be released. The latter has cast doubt on her anti-sanctions policy by putting his own stature behind a call for their continuation.

It is not only for this reason that she is regarded as out of tune with the onrush of black advancement in South Africa (just as her caution on reunification dismays so many Germans). Her natural inclination is to play for a capitalist, stable, profitable South Africa governed by a democratic rule of law; backing the ANC may not be regarded by her as the best way to reach this desirable goal. Yet Mr Mandela was too statesmanlike to make cheap attacks on her yesterday. An invitation from a British Prime Minister, he said in answer to a question about his own plans, could not be treated lightly; he would in any case be advised by the ANC.

He may well be aware that Mrs Thatcher is a beneficiary of her wilful refusal to go along with punitive sanctions, since she is the outside head of government most trusted by all but extreme right-wing white South Africans. She may be anathema to many blacks, but she might one day have a function to perform in getting through to the South African president, even though she is unlikely to be accepted as a mediator.

For this reason it is no great historical tragedy that there are likely to be more headlines about "Britain isolated in sanctions row." The EC, the Commonwealth, and the US were right to impose sanctions, and they would be right to maintain most of them until proper constitutional talks are well under way.

Mrs Thatcher is pushing matters too far when she appears as a global crusader to get the rest of the world to change its mind, but even if she could be persuaded to desist she will continue her mutterings about "tiny" or "token" sanctions and Britain's desire to relinquish them, unilaterally if need be.

The British Government view is that this is required to send a signal of encouragement to President de Klerk, and possibly to help him head off a neo-fascist backlash. Last week, I would have wondered whether that was of greater importance than the need to keep up the pressure on the Pretoria Government. This week, with Mr Mandela out and running well on all cylinders, and the world apart from Britain keeping up the pressure, a tiny or token signal from London can hardly do much harm, except perhaps to British relations with a future black government – under President Mandela?

LETTERS

Mobile communications will not be a panacea

From Mr Ian Mackintosh.

Sir, Hugo Dixon argues ("How the East can jump ahead," February 5) that, to achieve a relatively swift and inexpensive improvement in their communications infrastructures, the east European countries should leap straight into the kind of mobile communications networks now much in evidence in, for example, the UK.

He is right, but only up to a point. Most long-sighted observers of the telecoms scene now agree that the old, copper, "twisted-pair" telephone network (up to 100 years old) is obsolescent. This is because there can be no place in the future for such an expensive (to instal and maintain) wired network which has such limited bandwidth (it can carry too little traffic). We must therefore hope that neither the east European authorities nor British Telecom invest much more money in such an aged infrastructural technology.

The telecoms future (which means "now" in some parts of the world) will be based on two very different kinds of complementary, digital networks.

The first will be an enhanced, international version of today's mobile communications networks, providing the important advantage of full mobility at moderate cost, but with the bandwidth necessarily limited by shortages of appropriate radio frequencies.

The second will be a fixed global, fibre-optic network delivering to every home and place of work a massive capacity to handle digital traffic, and at minimal cost. By that means, not by mobile communications will we (and the east Europeans, we must hope) be given access to the improved efficiency, education, entertainment and much else which can be achieved through the vigorous and intelligent use of information technology.

In short, while I applaud and am excited by the improved convenience and efficiency which the mobile communications revolution is providing, I do not believe it is a communications panacea. In my vision of the future, only those nations which have available, and know how to use, huge information processing systems and broadband transmission networks (which are already available) will be able to keep pace with global improvements in – well, essentially everything.

The key, I submit, will be the mix of mobile-narrowband and fixed-broadband networks, and a lot of care will be necessary to ensure a correct balance between them in each nation or region.

Ian Mackintosh,
Managing Director,
Mackintosh Generics,
19 Buckingham Street, WC2

Tobacco and the role of advertising in a mature market

From Mr A.D.C. Turner.

Sir, Lucy Kellaway, in her article ("Fighting to the last gasp," February 8) about tobacco advertising ban proposals emanating from Brussels, asks why, if there is no link between advertising and consumption of tobacco, would the tobacco industry wish to advertise?

The answer remains as it has been over many years of a declining UK market; namely that the 300 brands of cigarettes currently on sale must advertise to retain, or gain, market share. A total ban would simply see an immediate freezing of the brand share picture with total consumption not necessarily being related.

European Commission officials appear to have little or no understanding of the role of advertising as it pertains to a mature product category.

A.D.C. Turner,
Deputy Chief Executive,
Tobacco Advisory Council,
Glen House,
Stag Place, SW1

Pay that extra cash out ungrudgingly as dividends

From Mr Alex Hammond-Chambers.

Sir, Your editorial comment ("A less cheery view of debt," February 9) ends by posing the question: "What else can be done to address the problem where companies generate more cash internally than they can redeploy profitably in their core business?" The answer is quite simple – pay it out as dividends.

The earnings of a company belong to the shareholders whose ultimate investment goal is the receipt of dividends, preferably growing ones. If the business is mature, then higher current but slower growing dividends should be paid.

Certainly a board of directors' approach should concern being able to justify not paying all earnings as dividends rather than begrudgingly paying as little as they can get away with.

Share prices would benefit in both the short and long term.

Alex Hammond-Chambers,
Chairman,
Ivory & Sime,
1 Charlotte Square,
Edinburgh

Mitigant tendency

From Mr Richard Norris.

Sir, David Waller opines (Accountancy Column, February 8): "In practice, the partnership structure of the firms mitigates against any focus on the multinational client . . . ."

Anything to say in militation?

Richard Norris,
1 Canons Close,
Bishopsteignton, Devon

Revenue's 'partial' treatment of banks over Third World debt

From Mr John Newman.

Sir, Your report on the new guidelines by the Bank of England on provisions for Third World debt ("Guide by Bank on Third World debt urges wider provisions," January 30) suggests banks are going to obtain tax relief on debts which have not actually gone bad or been realised in some way. This raises several important issues.

Firstly, the banks are going to be untaxed not by statute because the paper is not part of a Finance Act, nor by regulation since it is not going to be a statutory instrument, but by some kind of concession or statement of practice. This is a most unsatisfactory state of affairs because of the quantum of tax involved. If one assumes that the volume of debt involved exceeds £100m (a very conservative assumption) then the tax involved is £35m. This is far more than that involved in the normal run of concessions and thus it should be subject to parliamentary debate and scrutiny.

Secondly, the position on such *debts should be con*trasted with the normal position for most businessmen in the UK. To obtain a deduction for a bad debt involving a company for corporation or income tax purposes requires the debt to have actually gone bad: an administrative receiver has to have been appointed or the company actually has to be in liquidation or receivership. While there have been defaults outside the UK on some Third World loans a large number of those are not in "technical" default. It would seem that the Inland Revenue is being particularly partial in its treatment of banks.

It is also instructive to contrast the treatment by the Inland Revenue with its colleagues who operate value-added tax. To obtain what is called bad debt relief – that is repayment or credit for the VAT portion of a debt that has gone bad from the sale of goods or services, a businessman in the UK has to have a certificate to the effect that no recovery is expected from the administrative receiver, liquidator or suchlike. This is a slow, time-consuming and sometimes quite a costly approach to manage to get the actual relief. Perhaps it would be a good idea for the Inland Revenue to write to its colleagues and the finance ministers in the Third World countries concerned to see if they *consider the debt bad.*

Am I alone in thinking this non-statutory relief for banks is particularly unjustified and should be the subject of parliamentary protest?

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FINANCIAL TIMES
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FOUR ACCUSED PLEAD NOT GUILTY

Guinness trial opens in London

By Raymond Hughes, Law Courts Correspondent, in London

THE LONG-AWAITED Guinness trial finally opened yesterday – two years and nine months after the arrest of Mr Ernest Saunders, the first of the seven City of London figures charged with criminal offences arising from the bitterly-fought takeover battle for the Distillers drinks group in 1986.

After the jury of seven men and five women had been sworn in at Southwark Crown Court, London, and the charges on the 24-count indictment read, Mr Justice Henry adjourned until this morning, when the prosecution will open its case.

Because of the size and complexity of the case, involving allegations of an illegal share support operation mounted by Guinness during its £2.5bn ($4.2bn) bid for Distillers, the judge has ruled that it should be split into two consecutive trials.

The first, expected to last up to six months with a 10-day break over Easter, involves Mr Saunders, the former Guinness chief executive, Mr Gerald Ronson, chairman of the Heron Group, Mr Anthony Parnes, a former City stockbroker, and Sir Jack Lyons, the millionaire financier.

In the second trial in the autumn, Mr Saunders' co-defendants will be Mr Roger Seelig, former Morgan Grenfell corporate finance director, Lord Spens, former director of corporate finance at the Henry Ansbacher merchant bank, and Mr David Mayhew, senior corporate finance partner of stockbrokers Cazenove & Co.

Yesterday Mr Saunders, Mr Ronson, Mr Parnes and Sir Jack Lyons, sitting at two tables in the open dock area of the packed courtroom, heard the court clerk tell the jury that the four had pleaded not guilty to all charges.

Mr Saunders faces 15 charges: eight of false accounting, two of theft from Guinness of a total of £8,075,000, two of conspiracy to contravene the 1958 Prevention of Fraud (Investments) Act, two under the 1985 Companies Act of authorising Guinness to give financial assistance in relation to the purchase of its own shares, and one of destroying documents.

Mr Ronson faces two charges of false accounting, one of the theft from Guinness of £2,875,000, one of conspiracy to contravene the Prevention of Fraud (Investments) Act, and one of aiding and abetting a breach by Mr Saunders of the Companies Act.

Mr Parnes faces five charges of false accounting and two of theft from Guinness

Sir Jack Lyons faces four charges of false accounting, one of the theft of £3m from Guinness, one of conspiracy to contravene the Prevention of Fraud (Investments) Act, one of conspiracy to contravene the Companies Act, and one of aiding and abetting a breach by Mr Saunders of the Companies Act.

Mr Gerald Ronson (left), Mr Ernest Saunders (centre) and Mr Anthony Parnes arrive for the opening of their trial at Southwark Crown Court in London yesterday

BAe faces claims from Airbus partners for lost output

By Paul Betts in Singapore

BRITISH Aerospace (BAe), the UK air and defence equipment manufacturer, faces potential claims totalling more than $70m from its partners in the European Airbus consortium as a result of the prolonged strike over shorter working hours at its plant in Chester, north-west England.

The 16-week strike has brought Airbus assembly at Toulouse, France, to a virtual standstill. Mr Martre said that Aerospatiale was now assembling less than one A320 twin-engined 150-seater airliner a month at Toulouse, compared with a peak of eight aircraft before the UK strike started last year.

The strike has caused disruptions not only at Aerospatiale's Toulouse operations but also at the plants of its other continental European partners, including MBB in West Germany and Casa in Spain.

Mr Henri Martre, chairman of Aerospatiale, the French state-owned aerospace group with a 37.9 per cent stake in the Airbus programme, has asked the Airbus supervisory board to press ahead with a claim for 40 per cent of the costs to the consortium caused by the strike. He has asked the board to consider at its next meeting on March 3 invoking an article in the Airbus regulations which would make BAe liable for the amount.

Mr Martre, who is attending the Singapore air show, confirmed that the UK engineering workers' strike had already cost the Airbus consortium and its partners about $180m up to the end of last month.

Under the Airbus statutes, a member of a European consortium is liable to pay 25 per cent of the damages caused to the other members of a consortium, as well as its share of the remainder of the costs incurred by Airbus, if it defaults on its commitments to fulfill its work share on the aircraft programme.

BAe owns a 20 per cent share in Airbus and could, under this penalty formula, face 40 per cent of the overall costs caused by the strike to the consortium. BAe provides the wings for the Airbus family of jetliners.

BAe claimed yesterday that the provisions in the consortium's Article 7 did not apply because the UK group regarded the strike as a case of force majeure. However, Aerospatiale indicated that it intended to take the issue to arbitration if necessary.

Under the Airbus regulations, a dispute over Article 7 is first reviewed by the Airbus executive board and, if no agreement is reached, it is taken to independent arbitration at the International Chamber of Commerce in Paris.

THE LEX COLUMN

A cry for help from the junkyard

The US junk bond market has been in a state of near paralysis for several months now, so it comes as no great surprise that Drexel Burnham Lambert, the biggest player, is suffering. When times were good it was earning over $500m a year. But leverage works both ways, and Drexel is finding out what it is really like to be in a bear market. Lenders become increasingly nervous, new debt issues are virtually impossible and the collapse in the value of the junk bonds eats into badly needed capital. The increasing illiquidity of outstanding issues only accentuates the drop in bond values and Drexel can no longer rely on its fat new issue fee income to subsidise its heavy overheads.

US junk bond yields of more than 700 basis points over US Treasuries may be a terrific bargain. But as long as big market-makers like Drexel are having difficulty providing the market with sufficient liquidity, they are likely to stay that way. In this respect what is happening to Drexel is reasonably predictable. It is a big firm, but is suffering from its over-dependence on a narrow sector of the market. Hence its need for a capital injection.

The big unknown is whether its problems will spill over into other areas of Wall Street. This is not the first time there has been a flight to quality. If it means that some highly leveraged industrial borrowers find it more difficult to borrow money, it is bound to increase the recessionary pressures on the US economy. However, Drexel dominates a rather specialist niche of the market; and given the Fed's frequent warnings about the dangers of leverage, it is hard to to see yesterday's events precipitating any significant easing in US monetary policy. Nevertheless, it does raise the sensitive issue of whether the big US securities firms are being adequately supervised, as opposed to regulated.

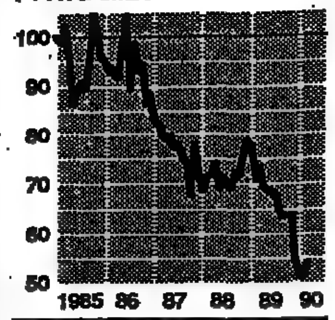
Retail sales

Drexel's troubles were not the only things on the London market's mind yesterday. The January retail sales figure did little to clarify the vexed question of consumer spending. Sales volume, though 1.3 per cent down from December, was up 2.1 per cent on the year – an outcome broadly in line with the New Year revival in spending reported by the CBI. It may well be that consumer spending is now under control, as the authorities confidently assert; but this year might still see a rise of 1 per cent, which though in stark contrast to last year's 4.5 per cent would still be too perky for comfort.

The background worry is still the growth in earnings and employment, which the official figures may understate. Even in housebuilding, let alone retailing, the picture is not one of unrelieved gloom. This might suggest that a base rate rise is still more likely than a cut. But one can sympathise with those who find a rise politically implausible. Certainly, it is hard to see the Government being pushed into a show of force by anything short of a collapse in sterling. And with eastern Europe still in ferment, the relationship between sterling and the D-Mark depends on larger issues than UK economic management.

Sketchley

Share price relative to the FT-A All-Share Index



Sketchley

When a bid target concedes on day one that its next results will be lousy, the battle looks almost over. Sketchley's chances of remaining independent, after Godfrey Davis's 365p per share hostile bid, seem small. Even at last night's closing price of 382p, Sketchley's shares are trading below their mid-1983 levels after seven years of earnings growth averaging less than 5 per cent and an inconsistent dividend record. Granted, Sketchley's share register features those well-known long-termists, M&G and Britannic. But it is nearly five years since Sketchley's present management team arrived, which is long term enough. Understandably, Mercury Asset Management has already voted with its feet and will sell its 17 per cent.

Not that Godfrey Davis will necessarily succeed at this price. Sketchley's much more successful rival, Johnson Group Cleaners, has shown what value can be generated from dry cleaning, so rival offers for Sketchley are not impossible. As for the bid's paper-dominated form, Davis's planned sales of its vehicle businesses remove some of the risk; but this is still a highly-geared, £125m market capitalisation company bidding for a larger group, and that will not appeal to everyone.

Perrier

Perrier is one of France's more secretive companies, so it will be some time before the real scale of its problems in the US become apparent. The Fr 200m cost of the recall of the contaminated bottles will be offset by exceptional profits. But Perrier has been investing heavily in North America; any damage to its brand name may well mean it will not be able to fulfil its ambitious growth targets. Even after yesterday's 12 per cent fall, the shares are still selling on close to 20 times earnings. Were it not for bid speculation, they would deserve to be lower.

Dalgety

Now that the Gill & Duffus disaster is behind it – courtesy of a £21m write-off – Dalgety can concentrate on producing the earnings growth that will fend off the predators. Further disposals are likely, with Australia probably top of the sell list. That will reduce gearing and will also give the group a recognisable focus, a glaring weakness throughout the 1980s.

The divisions that remain will largely be divided into those such as agribusiness which are still commodity-based, with all the exposure to the cycle that implies, and those, such as pet foods, where there is scope for moving up-market. The snacks business sits uneasily between the two. Golden Wonder's position is probably the weakest among the major snack manufacturers but pot noodles remains a surprisingly profitable niche.

The recovery from last year's egg scare, the fall in the interest charge and a pick-up at Dalgety Produce should allow the full year to match the interim's 10 per cent earnings growth. The shares, which have declined 40 per cent relative to the All-Share over the last 10 years, do not seem overvalued on a prospective p/e of 10, considering the brand names and the bid potential.

Fines could wipe out Australian pilots union

By Chris Sherwell in Sydney

THE Australian Federation of Airline Pilots (AFAP), which fought a disruptive and costly pay dispute with the country's domestic airlines last year, faces extinction after a court yesterday fined it A$6.6m ($4.9m).

The fine, imposed by the Victorian Supreme Court, was for damages caused by the refusal of 1,640 pilots to fly outside the hours of 9am to 5pm for six days last August.

The pilots' action was part of a campaign for a 29 per cent pay increase from the state-owned Australian Airlines, the privately-owned carrier Ansett Airlines and its subsidiary East-West Airlines, and the freight group Ipec.

The dispute – still not resolved – led to a shutdown of the domestic system after the pilots decided to resign. In one of Australia's longest industrial relations battles, domestic airlines' flights were grounded for three weeks and the Government had to turn to international airlines, foreign-crewed aircraft and the air force for relief.

Following failed attempts at reconciliation, the airlines initiated the damages action.

The court found against the pilots in November but postponed fixing the liability until yesterday.

The federation and its officials, who must decide whether to appeal, said yesterday they did not have the funds for the award or their legal costs.

The airlines, who said the outcome had vindicated their action, said they wanted to recover their costs, but are undecided whether to press their claims against the federation and its officials.

Complicating the matter is the opinion of Mr Bob Hawke, the Prime Minister. Having encouraged the airlines' action in the first place, he unexpectedly reversed his position in December and urged them not to collect their damages.

Yesterday, referring to the federation's officials, he said he did not want to see individuals suffer "however stupidly they have acted."

Moscow gives way to call for protection against price rises

By Mark Nicholson in Moscow

SOVIET trade unions have hailed as a victory a government decision to offer compensation to enterprises hard hit by recently imposed fuel and transport price rises.

The offer represents a setback in the Government's plans to adjust the low, centrally fixed prices paid by Soviet industry towards levels which would encourage more efficient use of resources.

Unions in several vital industries, including steel, chemicals, timber and cement, have agreed to disband a commission on the price rises which wrote to the Government earlier this month threatening to call strikes if the increases, imposed by decree on January 1, were not repealed.

The Government agreed at an emergency meeting between ministers and the union commission at the weekend that although the price rises would remain in force to encourage energy saving, compensation would be paid to all enterprises hurt by the rises.

The Government is unwilling to say how much the compensation scheme might eventually cost. However, it has agreed to make immediate payments of Rbs700m ($1.17bn) to affected metal factories, while state co-operatives and trade companies will receive Rbs302m and Rbs620m respectively.Some Rbs85m has also been allocated to the construction industry.

Ministers agreed to work with the unions to set compensation levels for other industries. A spokesman for the all-union Central Committee of Trade Unions, the official union federation, said yesterday it would review the progress of the compensation scheme in late March.

The Government has further eased the burden imposed by the price rises by placing a two-month moratorium on payments due from affected enterprises to the central government budget.

Unions had complained that the decree raising input price rises, which doubled the price of diesel fuel, raised transport tariffs by between 25 and 39 per cent and electricity charges by 8 per cent, would lead enterprises into heavy losses and even bankruptcy, slashing wage funds and social programmes in the process.

A STATE of emergency was imposed in Dushambe, capital of the Soviet republic of Tadjikistan, after disturbances described by the news agency Tass as "mass riots, pogroms, arson and robberies." On Sunday a crowd reportedly gathered in front of the city's Communist Party headquarters to chant *anti-Armenian slogans* in response to rumours that several thousand Armenian refugees had been admitted.

Britain limits electricity price rises in step to privatisation

By David Thomas and Maurice Samuelson in London

BRITAIN yesterday announced a package of price controls for the electricity supply industry which were widely interpreted as a bid to win public support for the privatisation of the *electricity supply industry.*

The first steps in Britain's ambitious privatisation of its electricity supply industry will be made on April 1 when new electricity companies will be created out of the existing nationalised operation.

The companies will then be sold over the following year, raising billions of pounds for the Government. The 12 area distribution companies in England in Wales are due to be sold this autumn, followed by the two generation companies in early 1991. The two Scottish electricity companies will also be sold *at a date to be determined.*

Although final details of new tariffs due to be introduced on April 1 have yet to be published by the electricity supply industry, Mr John Wakeham, Energy Secretary, announced the broad thrust of the changes yesterday when he published final details of the electricity *licences. These licences will* govern the constituent parts of the electricity supply industry after it is privatised.

Average price rises for households and small businesses due in April are likely to be just above the rate of inflation, but are then to be pegged to the inflation rate until March 1993.

Large industrial users of electricity, such as steel and chemicals, which had feared very large increases in electricity prices this year, are to have their prices rises kept to the increase in the inflation rate *for a year. These users, which* claim that they already pay more than most of their European competitors, fear that they will be at a further competitive disadvantage after the one year-price cap.

The Government also announced that the fossil fuel levy, designed to compensate the electricity industry for having to use 8 Gigawatts of higher-cost nuclear electricity, is to be set at 10.6 per cent initially. The levy does not represent an extra charge to customers, because it makes transparent a cost already included in electricity prices.

In the City of London, analysts hailed Mr Wakeham's announcements as evidence of his ability to maintain the momentum towards privatisation. However, fears were expressed that the price controls would reduce profits for National Power and PowerGen and lower proceeds from their *sale. They are now expected to* realise considerably less than £5bn ($8.4bn).

Spark of comfort for the user; Page 11

Drexel seeks big investor

Continued from Page 1

Drexel has never disclosed the total size of its junk bond holdings, except to say they were worth "hundreds of millions of dollars." However, according to a recent analysis by Grant's Interest Rate Observer, a highly-regarded *industry newsletter, Drexel was holding* roughly $1.5bn of junk bonds, including $800m of publicly traded bonds, $400m in private placements and about $300m in bridge loans.

Richard Waters writes: In London, where Drexel employs 377 people, regulators have been keeping a close eye on the operation since late last week.

Under the City's complex structure, three bodies are responsible for regulating Drexel: the Association of Futures Brokers and Dealers, The Securities Association and *the Bank of England. The* Securities and Investments Board, as chief regulator of UK investment business, is also taking an active interest.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	[illegible]	54	Dubrovnik	S	[illegible]	[illegible]	Malta	S	[illegible]	[illegible]	Rhodes	R	14	57
Algiers	F	[illegible]	[illegible]	Edinburgh	C	5	41	Manchester	R	4	[illegible]	Rio de J'o	—	—	—
Amsterdam	S	7	45	Faro	S	[illegible]	[illegible]	Manila	—	—	—	Rome	R	[illegible]	[illegible]
Athens	F	11	52	Florence	C	5	41	Melbourne	F	20	68	Salzburg	C	[illegible]	41
Bahrain	S	[illegible]	64	Frankfurt	C	[illegible]	[illegible]	Mexico City	—	—	—	San Francisco	[illegible]	7	45
Bangkok	—	—	—	Funchal	[illegible]	17	63	Miami	S	24	75	Seoul	C	[illegible]	[illegible]
Barcelona	S	16	61	Geneva	F	5	41	Milan	C	[illegible]	[illegible]	Singapore	F	30	86
Beirut	—	—	—	Gibraltar	S	[illegible]	[illegible]	Montreal	S	-5	23	Stockholm	C	[illegible]	[illegible]
Belfast	[illegible]	4	[illegible]	Glasgow	R	[illegible]	37	Moscow	[illegible]	[illegible]	37	Strasbourg	C	7	45
Belgrade	S	9	[illegible]	Guernsey	R	7	45	Munich	F	5	41	Sydney	R	[illegible]	[illegible]
Berlin	C	6	43	Helsinki	Dr	1	34	Nairobi	F	28	82	Taipei	—	—	—
Biarritz	F	11	52	H. Kong	F	[illegible]	[illegible]	Naples	F	[illegible]	[illegible]	Tangier	C	17	63
Bombay	S	33	91	Innsbruck	Sn	1	34	Nassau	—	—	—	Tel Aviv	S	[illegible]	[illegible]
Bordeaux	F	11	52	Inverness	F	3	37	New Delhi	S	22	72	Tenerife	F	[illegible]	[illegible]
Brussels	F	[illegible]	[illegible]	Islamabad	—	—	—	New York	S	[illegible]	[illegible]	Tokyo	[illegible]	16	61
Budapest	S	7	45	Istanbul	F	[illegible]	[illegible]	Nice	S	[illegible]	[illegible]	Toronto	C	-5	23
B. Aires	—	—	—	Jakarta	—	—	—	Nicosia	F	[illegible]	[illegible]	Tunis	—	—	—
Cairo	F	18	64	Jersey	C	[illegible]	[illegible]	Oporto	C	11	52	Valencia	S	[illegible]	[illegible]
Cape Town	S	28	82	Jo'burg	F	20	68	Oslo	Sl	[illegible]	[illegible]	Venice	R	5	41
Caracas	—	—	—	Lima	—	—	—	Paris	F	7	[illegible]	Vienna	R	[illegible]	37
Casablanca	S	[illegible]	[illegible]	Lisbon	C	[illegible]	[illegible]	Peking	S	[illegible]	[illegible]	Warsaw	S	7	45
Chicago	S	-4	25	London	F	[illegible]	[illegible]	Prague	C	5	41	Washington	S	1	34
Cologne	C	[illegible]	[illegible]	Los Angeles	S	[illegible]	[illegible]	Reykjavik	F	-4	25	Zurich	F	5	41
Copenhagen	—	—	—	Luxembourg	C	[illegible]	[illegible]								
Corfu	S	13	55	Madrid	S	[illegible]	[illegible]								
Dallas	S	3	37	Majorca	S	17	63								
Dublin	R	[illegible]	[illegible]	Malaga	S	18	64								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Mandela predicts early negotiations

Continued from Page 1

agility and confidence in responding to nearly an hour of questioning. He was at pains to stress a sympathetic understanding of white fears, which may *help ease concern among* whites after scenes of violence and mayhem around the country since his release.

Mr Mandela's decision to reiterate his public support for nationalisation will have done little to allay nervousness on financial markets. "The question of the nationalisation of the mines and similar sectors of the community is a fundamental policy of the ANC, and I believe that the ANC is quite correct in this attitude and that we should support it," he said.

He also stated categorically that he did not belong to the South African Communist Party, although he welcomed its contribution to the struggle against apartheid.

Mr Mandela's appeal to whites, which involved a tacit acceptance of some kind of guarantee for minority rights, was perhaps the most significant indication of the ANC leader's position on policy issues and could remove a large obstacle to agreement in *eventual constitutional talks.*

"Whites are fellow-South Africans," he said, "and we want them to feel safe." The ANC was concerned to address white demands for "structural" guarantees to prevent black domination, he said, and to find a solution which would suit both blacks and whites.

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INSIDE

Markets driven by political propulsion

Politics drove several of the world's stock markets last week. South Africa advanced in the wake of the President's reform speech and the release of Nelson Mandela, left; Hong Kong took an optimistic view of Chinese moves; and Austria benefited again from eastern European prospects. However, the Asia Pacific region gave a mixed performance; Malaysia and Singapore made healthy gains, but Japan, New Zealand and Australia all retreated. The Continent's big guns were mostly lower, with the UK falling 1.6 per cent, France 1 per cent and West Germany 0.6 per cent. Jacqueline Moore reports. Page 48

How the mighty fall

The upwardly mobile Filofax, once the symbol of the conspicuously affluent, busy and trendy, is on a firmly downward spiral. The UK personal organiser company, which has seen its share price fall from 120p at flotation to 36p yesterday, is warning that it will stay in loss in the second half of 1988. Filofax's meteoric growth, from sales of less than £100,000 to more than £12m ($20.4m) in 1987, has proved difficult to sustain in the face of increased competition and the vagaries of fashion. The company has recognised the need to broaden its appeal, reports Vanessa Houlder, and is now wooing busy housewifes and mothers with a £500,000 "The answer is Filofax" campaign in the popular press. Page 31

Surface gloss and glitter?

After months in the doldrums, the gold price is bouncing up and down by $5 to $10 an ounce a day. Precious metals traders are rejoicing in the end of the bear market, but professionals in the gold sector are divided about just how fast and how far the price will recover. Far Eastern investors retain their enthusiasm for the precious metal, but others' attitudes are cooling. Analysts agree that it would need a change of heart by North American and European investors to put real sparkle back into the market. Kenneth Gooding reports. Page 38

Bargain bonds go begging

The astronomical prices traditionally enjoyed by South Korean Euromarket instruments are coming down to earth. From blue chip convertible bonds such as Samsung, which have seen their premiums almost halved since the final quarter of 1989, to the closed ended funds listed in New York and London, investors have marked down prices sharply. A stream of new issues, the poor performance of the stock market as a result of the country's economic slowdown and investor preference for Indonesia and Malaysia have all contributed. While brokers believe prices will not fall much further, they say that investors will be more selective about which bonds they take up, writes John Ridding. Page 29

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Leifheit	670	+	25
Metallgesell	858	+	20
Falls			
Hochtief	1186	−	34
Holzmann (P.)	1175	−	50
Porsche	860	−	32
Rosenthal	358	−	4
NEW YORK ($)			
Rises			
Monarch Capital	13⅝	+	⅝
Oracle Systems	22⅝	+	⅞
Toshiba	11⅝	+	⅝
Falls			
ASA Ltd	64⅝	−	4½
IBM	101⅞	−	1⅝
MCI Comms.	31⅞	−	⅝
PARIS (FFr)			
Falls			
A.Dassault	335	−	39.2
Euro Disney	98	−	5.8
Clar	1700	−	125.1
Hagnette	380	−	20.8
Labinal	1168	−	76.6
Source Perrier	1490	−	177.9

Tokyo closed.

LONDON (Pence)			
Rises			
Dixons Grp.	129	+	2
Micro Focus	538	+	36
Rosehaugh	384	+	34
Sketchley	382	+	18
Westland	130	+	6
Falls			
BICC	437	−	8
Body Shop Intl.	555	−	15
Brit. Aerospace	527	−	9
GKN	382	−	8
Hunterprint	103	−	7
ICI	1074	−	10
LASMO	604	−	14
Lloyds Bk.	279	−	10
Lonrho	277	−	7
Lucas Inds.	580	−	8
Priest Marians	155	−	20
Quadrant Grp.	128	−	17
Ratners	239	−	10
Reuters	1036	−	14
Shell	472	−	10
Siebe	418	−	8
Sock Shop Intl.	41	−	7
Wellcome	682	−	11

Godfrey Davis bids $226m for Sketchley

By John Thornhill in London

GODFREY DAVIS, the UK car dealing and laundry group, yesterday launched a £133m ($226m) hostile takeover offer for Sketchley, the dry cleaning and office services concern.

The proposed acquisition represents a further step in Godfrey Davis's strategy of diversifying from its original motor businesses. It would double the company's size, leading to the creation of a significant player in the fast-growing cleaning and maintenance market.

Sketchley quickly rejected the approach, however. Mr Malcolm Glenn, chairman, described the bid as "totally inadequate" and claimed that it did not take full account of the value of the Sketchley brand name nor its important presence in the retail sector and in the workwear rental market.

He added, however, that Sketchley's profits for the current year were expected to be substantially below market expectations.

Sketchley's shares climbed 18p yesterday to 382p while Godfrey Davis's slipped 9p to 149p.

The terms of the offer are five Godfrey Davis shares and 350p in cash for every three Sketchley shares. A loan note alternative is available for the cash element of the offer. This values each Sketchley share at 365p and the whole company at about £133m.

Godfrey Davis owns no Sketchley shares but has already received acceptances for a 17.1 per cent stake held by Mercury Asset Management, conditional upon no higher offer being made.

Sketchley is a broadly-based service group with interests spanning consumer and commercial cleaning, vending and catering machines, workwear distribution and office services.

In the year to March 31, 1989, Sketchley recorded a pre-tax profit of £17.27m on sales of £216.96m. However, in the six months to September 29, 1989 the hot weather caused a slump in pre-tax profits to £5.41m (£7.2m) on sales of £92.2m (£84.94m).

Mr John Ivey, Godfrey Davis's chief executive, severely criticised Sketchley's management, claiming they had consistently failed shareholders. The company's "so-called development strategy amounts to nothing more than a string of directionless acquisitions, u-turns and abrupt disposals," he said.

Godfrey Davis estimated that its own 1989 pre-tax profits would be 26 per cent higher at £21.5m.

Lex, Page 24;
Background, Page 30

More fuel for the bond-fire

Janet Bush on the background to problems at Drexel Burnham Lambert

Perched on the edge of an antique swivel chair, elbow planted firmly on an impressive dark-wood desk, Frederick Joseph was on the phone. "Can you just wait a minute and give me the chance to make a buck?" he called out, half-rimmed glasses perched jauntily on top of a neat head of grey hair.

Only two weeks ago the chief executive officer of Drexel Burnham Lambert was displaying an ability to strike up a series of relaxed poses. In the light of yesterday's announcement that Drexel is seeking a partner in a fight for survival, Mr Joseph would seem to have been whistling to keep his spirits up.

For now so dire is the perception of Drexel Burnham's financial position that the company yesterday had to deny rumours that it was prepared to file for protection from its creditors under Chapter 11 of the US bankruptcy code.

"I don't even wince anymore (about talk of Drexel going out of business)," Mr Joseph said. "Talk in the press doesn't affect the people we do business with."

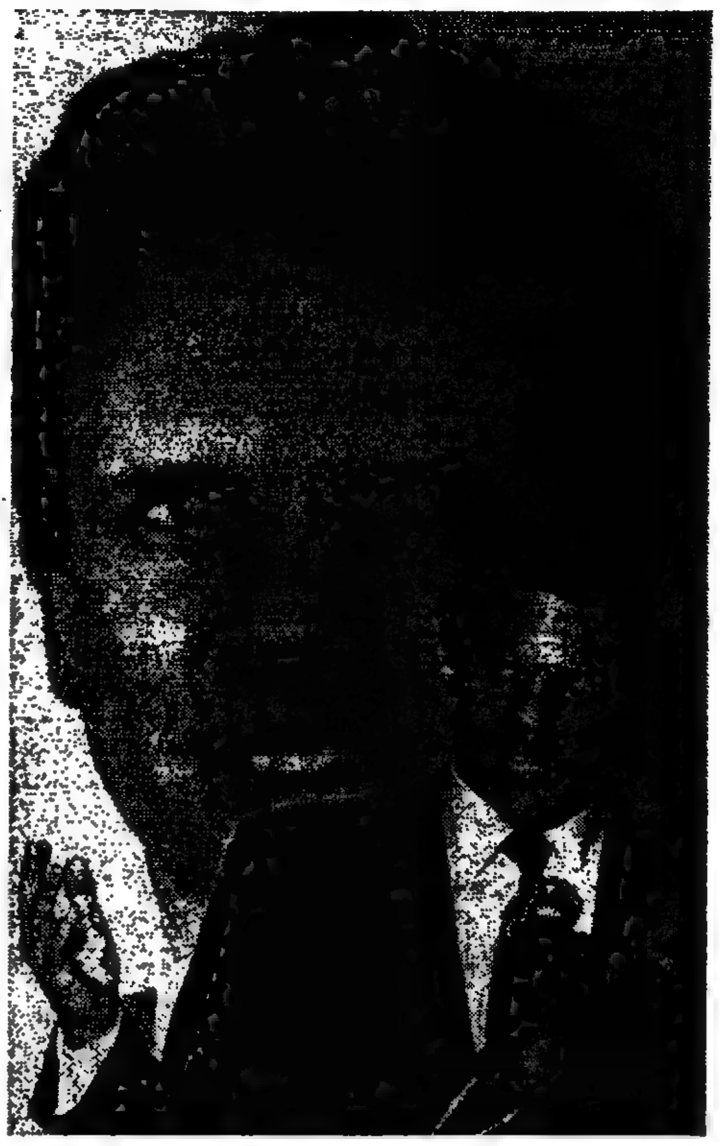
A week ago, the closely-held company announced a net loss of around $40m in 1989, a far cry from the record pre-tax profit of $1.1bn achieved in 1986.

Drexel Burnham Lambert, which transformed itself from a third-tier firm to one of the most powerful – and certainly the most controversial – force on Wall Street in the 1980s, through a single brilliant idea, has been most directly damaged by the catastrophic selling which has hit the high-yielding junk bond market which it created.

It was Mr Michael Milken, formerly in charge of Drexel Burnham's bond trading operations in Beverley Hills, who got Drexel into the business of selling high-yield, high-risk to investors. At first his foresight provided a completely new source of capital for small, emerging companies left out in the cold by more traditional Wall Street securities houses who were only prepared to lend to highly-rated, established corporations.

But from these modest beginnings Drexel, on the back of Mr Milken's revolutionary notion, turned itself into the catalyst for some of the most daring takeover bids Wall Street has ever seen. Major companies, including Beatrice Foods, Safeway and most recently RJR Nabisco were bought out in takeover bids largely financed by borrowed money, much of it raised through Drexel's far-flung network of investors seeking to buy in to heavily-leveraged situations in the expectation of rich rewards.

Mr Milken faces a 98-count indictment on securities fraud and the junk bond market has collapsed because of a series of shattering defaults and a clear deterioration in the ability of some companies taken private through highly-leveraged transactions – using a large amount of debt – to pay their interest bills.



Michael Milken: the man who expanded the market for junk bonds — the root of Drexel Burnham's current problems

RJR Nabisco, regarded as a blue chip among junk bond issuers, announced at the weekend that it was delaying a $1.25bn junk offering, designed to pay off a bridging loan and so reduce the cost of servicing its interest payments, because of poor conditions in the high-yield market.

Mr Howard Brenner, president of the brokerage subsidiary, said last week that Drexel Burnham would have made a "nine figure profit" in 1989 had it not been for losses on its substantial holdings of securities, mostly high-yield bonds.

He said that its junk bond holdings totalled "hundreds of millions of dollars". On Wall Street, estimates of Drexel Burnham's junk bond holdings go as high as $2bn.

Drexel Burnham Lambert limited its exposure to the junk bond market by taking out short positions. But clearly it has a great deal to lose from a prolonged period of weakness in the high-yield market. This is not only because of its substantial holdings of junk bonds but also because its core – and most profitable - business was underwriting and distributing high-yield bond issues.

Although Drexel Burnham's top managers assert that the worst is over in the junk bond market, Wall Street analysts believe the market could remain severely depressed for some time. Some of the most enthusiastic takers of Drexel-underwritten junk bond issues – including some major thrifts and insurance companies – are crippled with losses on their portfolios and are no longer buying, leaving a liquidity crisis in the high-yield market.

Drexel Burnham's financial position has been undermined by a variety of factors. Its equity capital has shrivelled to just over $800m from a peak of $1.1bn, partly because of the departure from the company of a number of highly-paid employees who took out their stakes in the firm.

Most catastrophic have been the costs associated with the investigation by the Securities and Exchange Commission and the Government.

The company, which pleaded guilty to six counts of securities fraud as part of a settlement with the Government, made a loss of $166.7m in 1988 after agreeing to pay $650m in fines and taking into account costs associated with discontinued operations and legal expenses.

Mr Paul Ross, head of high-yield research at Salomon Brothers, said yesterday: "By making Drexel pay such heavy fines, the Government was not supposed to be putting the company out of business. But that may end up being the ultimate result."

Drexel Burnham has already paid out around $8.5m to 43 state authorities which threatened to revoke the company's brokerage licence. The company set up a $350m "restitution fund" in 1988 to cater for future legal costs and Drexel Burnham said recently that it expected its legal expenses to be cut in half this year.

However, there is widespread concern on Wall Street about future civil claims from corporations and individuals arising from Drexel Burnham's six guilty pleas. Some believe these claims could be very substantial. "Potential legal liabilities make the outlook for Drexel pretty bleak," said one analyst.

Mr Joseph remains resolutely optimistic, arguing that Drexel's particular expertise in the high-yield market means that the company does better than its competitors when market conditions are depressed.

Drexel Burnham has slimmed down its operation considerably which, the company asserts, has effectively halved its break-even point. Its payroll has been cut to below 5,300 from a peak of 10,700, partly through the sale of businesses including its network of retail brokers. Mr Brenner said that it was finding a receptive audience for high-yield financings in Europe and Japan and that both its London and Tokyo operations were already generating fee income.

He also pointed to a clutch of equity underwritings already completed this year and said he expected the company to complete $2bn in private and public high-yield bond issues in the first quarter.

Prices of US junk bonds fall sharply

By Anatole Kaletsky in New York

PRICES FELL sharply in the US high-yield bond market yesterday as dealers reacted to a barrage of bad news, especially the statement by Drexel Burnham Lambert that it was seeking an equity investor or merger partner.

Drexel's announcement was seen by most dealers as an indication of the intense and growing financial pressure on the firm, which had once dominated the junk bond market and is still believed to carry a high-yield bond inventory with a face value of $1.5bn or more.

Many junk bond issues fell by around three percentage points yesterday morning, in generally thin trading. Among individual benchmark issues, Macy's 14½ per cent senior subordinated debentures fell 3 points to 81, while RJR Nabisco's 13⅝ per cent pay-in-kind bonds fell $3½ to $68.

According to Mr Paul Ross, head of high yield research at Salomon Brothers, the markets' behaviour is not due to the financial problems at Drexel but to fears that a whole range of negative news items would cause further liquidation by retail investors in junk bonds.

"The value-oriented investors were there making bids for the better-quality issues," he said. "But then they realised that all the bad news could potentially create a wealth of new sellers. Instead of bottom fishing, the value investors are now waiting for the bottom to be reached."

Apart from the problems at Drexel, the market had to cope with the weekend news that RJR Nabisco, the biggest single junk bond issuer, was withdrawing a proposed issue of $1.25bn worth of new debt.

RJR's withdrawal came as no surprise, given the unsettled state of the junk bond market since the issue was first announced. In fact, several analysts said the news should have been interpreted bullishly, since it would help the balance of supply and demand in the market.

"It's really positive for the market that RJR is removing a major source of new supply. Nobody in their right mind would issue debt into this market," said Mr Kingman Penniman of MCM.

The launch of an equity issue by Safeway Holdings appeared to realise the hopes of many junk bond investors that companies with good business prospects would be able to improve their credit ratings by raising new equity.

Perrier share price falls 12% as N American recall costs $36m

By William Dawkins in Paris

SOURCE Perrier's share price fell by 12 per cent on the Paris bourse yesterday after the group revealed that suspected contamination of its mineral water in North America would cost the company around FFr200m ($35.5m).

Perrier officials said the group had restarted production after a halt for tests at its bottling plant in Vergèze, southern France, and expected to begin exporting to the US and Canada again by the end of this week.

The French company is recalling 72m bottles from North America after the US Food and Drug Administration declared that a sample of bottles contained small – but above permitted – levels of benzene, a chemical used in cleansing fluids which can contribute to cancer.

Under French stock exchange regulations, the shares had to be suspended temporarily yesterday because of an avalanche of selling orders.

They were later re-quoted at FFr1,450, after which they recovered and fell again to end the day at FFr1,490. Nearly 3 per cent of the company's shares were said to have changed hands in hectic trading.

Analysts said it was too early to quantify the longer-term damage to Perrier's quality image or the success with which competitors would fill the temporary gap in the US market.

Perrier's traditionally secretive Parisian headquarters had no comment on the outlook, beyond revealing that the cost of the setback was less than its estimated net extraordinary profits for last year. The 1989 accounts, which have yet to be published and which usually contain big extraordinary gains from financial dealings, would carry a provision against the US debacle.

Perrier's net profits rose from FFr570m to FFr1bn in 1988, on turnover up from FFr11.5bn to FFr15.1bn. Within that, drinks accounted for FFr8bn, of which FFr7bn came from mineral waters, including Perrier, Saint-Yorre and Volvic.

Paris analysts estimate Perrier's US sales in 1988 at $550m.

Perrier counts cost, Page 26;
Lex, Page 24

Dalgety overcomes US downturn

By Clay Harris, Consumer Industries Editor, in London

DALGETY, the UK food and agri-business group that makes Prime dog food, Golden Wonder crisps and Homepride flour, overcame a reduction in demand from McDonald's US restaurants to increase interim pre-tax profits by 10.4 per cent to £57.1m ($97m).

US trading profits slid by 10 per cent in the six months to December 31 as the result of the fall in demand from McDonald's. Dalgety's Martin-Brower subsidiary supplies 40 per cent of the fast food group's US restaurants.

The US result was one of the few bleak spots in a half-time report that showed pre-tax profits rising from £51.7m on turnover ahead by 6 per cent to £2.47bn (£2.33bn).

Egg sales recovered from last winter's health scare and sales to supermarkets – Dalgety's main customers – are running ahead of pre-salmonella levels. Pig prices were higher than in 1988 and animal feed sales benefited from the dry summer.

Mr Maurice Warren, chief executive since the abrupt departure of Mr Terry Pryce last July, said Dalgety had not suffered from concern over bovine spongiform encelopathy, the so-called "mad cow" disease, because it had not been using bovine offal in its cattle feed for two years.

Spillers, the Dalgety pet food subsidiary, increased its UK market share of tinned products to 22 per cent, where it ranks second to Mars, which has about 60 per cent. Mr Warren ruled Spillers out of the race for Alpo, the US dog food group which Grand Metropolitan put up for sale last week.

Golden Wonder's share of the UK crisps market rose to 18 per cent and its share of the snacks market to just over 10 per cent. As in pet foods, Dalgety shelters in this sector under the umbrella of dominant companies, Pepsico and United Biscuits.

Interim trading profits from Australia were ahead because of a larger contribution from property development, but Mr Warren said the full-year total would be lower than in 1988-89. He declined to discuss speculation that Australia was a prime candidate for disposal.

Group trading profit slipped to £77.7m (£77.9m), reflecting the sale of Gill & Duffus in October. The commodities businesses contributed £7.4m, against £16.2m in the full six-month period in 1988, but disposal proceeds enabled Dalgety to reduce interest payable to £23.5m (£27.4m) and net borrowing to £191m (£367m).

Earnings per share rose to 16.7p (15.2p) and the interim dividend was increased to 7.15p (6.5p). Dalgety shares closed 5p lower at 379p.

Lex, Page 26

Benetton sells Pru stake in retreat from financial services

By John Wyles in Rome

THE Benetton family yesterday announced the sale of its 50 per cent stake in a joint insurance venture with Britain's Prudential Corporation in a move which begins a strategic retreat from the Italian clothing empire's somewhat controversial commitment to financial services.

Edizione Holding, the family company which owns 80 per cent of the Benetton Group, has sold its half of the joint venture Prudential Holding, to Abeille, a subsidiary of France's Victoire Group. Mr Gianni Mion, Edizione's managing director, said the disposal would realise between L70bn ($56.2m) and L100bn.

He said the company planned to divest more of its financial services activities through sales which could be worth L150-200bn by the end of this year.

Benetton said its financial services operations were in need of capital for further development which the family had decided should instead be concentrated on the group's industrial activities.

He added that it was still not clear that the company would make a full exit from the financial sector, where its interests range from factoring and leasing to banking.

According to Mr Mion, revenues from the sales would be largely devoted to Nordica, the ski boot manufacturing company with annual sales of L300bn which was purchased last May. "Substantial investments" were targeted for this company, added Mr Mion.

Prudential Assicurazioni, Prudential Holding's accident insurance subsidiary, whose premium income totalled L130bn last year, will in future be managed by Abeille whose British partner, Prudential Corp, will continue to manage Prudential Vita, the life subsidiary, whose premium income was L10bn.

Analysts have frequently questioned the Benettons' ability to develop in financial services at a time when revenues and income from from their clothing business are failing to match historic growth levels.

Long term debt in mid-1989 stood at L411.99bn, against paid up capital of L278.3bn. Nordica can hardly have been booming with European winter sports in the doldrums and clearly will require more resources to diversify its product range.

UAP takes control of Spanish Gesa group

By George Graham in Paris

UNION des Assurances de Paris (UAP), the largest French insurance company, has agreed to take control of Gesa, the Spanish assistance and emergency services group, for around FFr850m ($149.4m).

The merger of Gesa with UAP's own assistance activities will place it second in Europe, behind Europe Assistance, in emergency medical, motor and legal services for policy-holders.

UAP will be joined in the purchase by Générale des Eaux, leading French water and services group, and eventually by other industrial or insurance companies.

Mr Jean Peyrelevade, UAP's chairman, said he regarded the assistance sector as very important in improving relations between an insurer and its clients. UAP's own assistance subsidiary, with around FFr170m of annual premiums, was too small to compete effectively against Europe Assistance, six times its size.

"Gesa is a superb company with a worldwide presence, very good profitability and geographically complements our own assistance activities. The two structures together put us in a position where we can become a major player in the assistance field," Mr Peyrelevade said.

Gesa, founded in Barcelona in 1959 and controlled by the Poch family, is most heavily implanted in Spain, France, the Netherlands, Portugal and Latin America.

Its premium income has risen by an average of 18 per cent a year for the last three years to an estimated FFr529m in 1989, while its profits have climbed by 27 per cent a year over the same period to FFr46.8m last year.

UAP and its partners will not take over Gesa's 27.8 per cent stake in Multinacional Aseguradora (MNA), a Spanish motor insurer.

Initially, UAP will take 80 per cent and Générale des Eaux 20 per cent, but Mr Peyrelevade said UAP's eventual shareholding could fall below 50 per cent, though it would retain operating control.

Perrier counts the cost of contamination

William Dawkins on the French brand leader in the worldwide mineral water market

A secretive and tight-lipped Source Perrier was yesterday counting the cost of the US food and drink regulators' declaration that some of its bottles contained water contaminated with benzene.

Its distinctive pear-shaped green bottles were still visible on Paris restaurant tables yesterday and this correspondent can attest that at least one of them tasted normal. But the damage to the company, while invisible today, could turn out to be extensive, warned analysts.

This is not the first setback in recent months for Perrier, which is separately embroiled in a legal action against Pepsi-Cola, the US drinks company, for ending after 27 years a lucrative contract for bottling and distributing Pepsi-Cola in France.

The tussle, which is reciprocated by a Pepsi-Cola legal claim against Perrier for allegedly failing to conform to the terms of the contract, has meanwhile held up Perrier's plans to sell its soft drinks division, to raise between FFr1.7bn ($263.2m) and FFr2.5bn to fund the expansion of its bottled water sales.

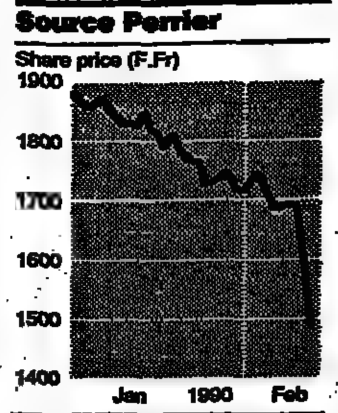
Perrier put out a brief seven-line statement yesterday afternoon, estimating that the cost of recalling from the US the 72m bottles suspected of containing higher than permitted levels of benzene would be "less than 1989 extraordinary gains," which, as translated later by a company official, means less than FFr200m.

That compares with the previous year's net profits of just over FFr1bn, just under a third of which came from exceptional gains flowing from the financial trading masterminded by the rosy-cheeked 75-year-old Mr Gustave Leven, Perrier's chairman for the past 42 years, whose family owns 20 per cent of the group's shares.

Perrier officials meanwhile confirmed that they had got to the bottom of the problem which led a state laboratory in North Carolina to discover between 12.3 and 19.9 parts per billion of the carcinogenic lubricant benzene in Perrier water, well over the 5 parts per billion allowed under US Food and Drug Administration rules.

It seems a careless employee had splashed the wrong cleaning fluid on to a bottling machine at the group's plant in the southern French town of Vergèze. After a temporary halt, the bottling lines were rolling again, though it would be two to three weeks before the new benzene-free bottles would reach North America.

In the meantime, Perrier would try to make up the difference in the US market by pushing other bottled waters owned by the French group. These include Arrowhead, which industry figures give 7.7 per cent of the US market against Perrier's own 5.7 per cent, as well as Poland Spring, with 3.5 per cent.



Perrier's US sales were, according to one analyst, an estimated $550m in 1988 out of published group turnover of FFr15.1bn, expected to have risen to FFr17.5bn last year.

The drinks division managed an overall turnover of FFr8.12bn in 1988, just over half of overall group sales. The dairy division represents another FFr5.3bn, where Perrier is France's leading producer of Roquefort cheese, with the FFr1.75bn balance coming from other activities.

That is the short term damage. But analysts were yesterday scratching their heads over what this says about Perrier generally, given that sales depend on image in the bottled water business.

While the group has produced a senior executive to explain the problem to US consumers, it has been less forthcoming to its own shareholders in Europe.

"We have found it hard to judge the real impact because the company does not communicate, but it is certainly a catastrophe," says a despairing Paris analyst, who prefers to be nameless.

"This does not change the fact that Mr Leven is a brilliant financier who has produced exemplary results in the US. The only problem is that he will not explain to the investment community just what he is up to."

According to this analyst, Perrier's unwillingness to speak reflects the fact that its equity is so tightly held, with 65 per cent of the shares in the hands of connected shareholders.

Mr Leven's family owns 20 per cent, another 32 per cent is in the hands of Exor, an investment group, whose main shareholder is married to the nephew and possible management heir of Perrier's Mr Leven. Another 13 per cent is controlled by Perrier's own interests.

The market responded to the US setback with an initial panic, so that the shares had to be suspended yesterday morning after a rush of sell orders, but were eventually requoted at FFr1,450. They closed at FFr1,490, down FFr202 – or 12 per cent – on the day.

Metsä-Serla blames fall on increased competition

By Maggie Urry

METSA-SERLA, the Finnish forest products company which last year failed with a £263m ($445.2m) bid for UK Paper, the British paper group, reported a sharp fall in earnings for 1989. Earnings per share were FM 29 ($7.34) compared to FM 46.

The company blamed intensifying competition in the second half of the year, which necessitated mill stoppages to limit production.

Mr Ebbe Sommar, president and chief executive officer who is to retire on April 1, warned of worse to come, saying the market for forest products was "expected to deteriorate significantly, with a considerable increase in factors of uncertainty."

He said high cost levels in Finland would put more pressure on profitability, and production "will have to be cut back at many mills." He predicted that net sales would rise to FM 9.7bn, up from FM 8.7bn in 1989, a 14 per cent rise on 1988. Profitability will fall, he said.

Group profits before appropriations and taxes were FM 584m, down from FM 1.02bn. The figures were depressed by a FM 300m exceptional asset write-off. At the pre-depreciation, operating level, profits were FM 1.64bn, up from FM 1.52bn, although the profit margin was lower at 18.8 per cent, down from 20 per cent.

Insurance groups receive approval as Midi owners

By George Graham in Paris

THE FRENCH stock exchange council has given its approval to plans by Axa and Generali, the French and Italian insurance groups, for a formal partnership in control of Compagnie du Midi, the insurance and industrial conglomerate.

The exchange's approval recognises that Axa and Generali were already in effective joint control of Midi before October 1 last year, when a new law came into effect obliging one or more shareholders whose stakes in a listed company rise above 33 per cent to launch a full bid. Their formal agreement on the structure of this control will not, therefore, oblige them to bid for Midi.

Generali, the largest Italian insurer, began to build up its stake in Midi, then run by Mr Bernard Pagézy, in 1987. The following year, Mr Pagézy sought out Axa, chaired by Mr Claude Bébéar, as his ally against Generali, but the alliance soon fell apart.

Mr Bébéar then established a modus vivendi with Generali, which is now taking effect. Axa will place its 33.26 per cent stake in Midi and Generali its 16.37 per cent holding in a new joint company, Société de Participation Axa-Generali, which will be 60 per cent owned by Axa and 40 per cent by Generali.

A second company, to be set up by May 15 at the latest, will be named Generali-Midi Expansion and will take stakes in other insurance companies. In this company, the roles will be reversed, with Generali owning 60 per cent and Axa 40 per cent.

Without the stock exchange's dispensation, a full bid for Midi could in theory have cost the two partners FFr16.5bn ($2.89bn) at current market prices.

Aga to increase dividend despite slight decline

By John Burton in Stockholm

AGA, the Swedish industrial gas group, yesterday announced a 3 per cent decline in profits after financial items to SKr1.11bn ($181.7m) in 1989, but predicted that earnings would increase by at least 20 per cent this year.

The board plans to increase the dividend to SKr7 a share from SKr6.50, provided this is not stopped by the government's recently proposed two-year dividend freeze. Earnings per share remained unchanged at SKr20.

Operating profits grew by 6 per cent to SKr1.4bn, but the result after financial items dipped due to devaluations in Latin America and rising interest costs.

Turnover climbed by 12 per cent to SKr11bn. Operating earnings in gas operations rose by 10 per cent to SKr1.85bn.

Kvaerner doubles pre-tax

By Karen Fossli in Oslo

KVAERNER INDUSTRIER, the Norwegian engineering, shipping and shipbuilding group, said yesterday that pre-tax profits in 1989 had nearly doubled to NKr719m ($111.3m).

The strong performance was helped by earnings of NKr200m from Swedish forest machinery group Kamyr, in which Kvaerner recently acquired a 50 per cent stake, plus a recovery by the shipping division.

Kvaerner said it expected profits to continue to improve this year and announced plans for a rights issue of up to 4.32m non-voting B-shares "when market conditions permit." Based on current stock market market prices the issue would raise around NKr1.35bn.

Pre-tax shipping profits nearly doubled to NKr430m. Earnings from shipbuilding activities emerged at NKr200m.

Colgate buys Viset stake

FERRUZZI-Montedison yesterday announced the sale of 49 per cent of its hygiene and personal care products subsidiary, Viset, to Colgate-Palmolive of the US, writes John Wyles in Rome.

The move represents a further rationalisation of Montedison's minor holdings. While retaining shareholding control of Viset, it is handing management of the Turin-based company to Colgate-Palmolive.

The price of the deal has not been revealed. It is understood that Viset's sales reached L22bn ($17.6m) last year.

Ferruzzi said yesterday that the aim was to "relaunch Viset's products through a better positioning in specific markets and a broadening of its distribution network."

Merger cost blamed for loss at Time Warner

By Alan Friedman in New York

TIME WARNER, the world's largest media and entertainment company, yesterday unveiled losses of $222m for the fourth quarter and $256m for the whole of 1989.

The losses – which amount to $3.69 and $4.34 per share respectively – reflect heavy interest and amortisation charges related to the merger last spring that formed the group.

Total revenues for the fourth quarter were $3.1bn and $7.6bn for the year.

Mr Steve Ross, the ebullient 62 year-old co-chairman of Time Warner, is believed to be exploring ways of reducing the group's total debt burden of $10.8bn.

According to analysts, this could mean that Time Warner will seek to form joint ventures in the US and internationally with foreign media concerns, thereby raising cash by selling a minority stake in some entertainment subsidiaries and achieving improved international distribution.

The group turned in record operating profits – before interest, taxes, depreciation and amortisation – in all its major sectors except the book division, which recorded a $175m pre-tax loss in the fourth quarter on the sale of Scott, Foresman and Company, the textbook publisher, last November.

The fourth-quarter results also included a $53m pre-tax gain on the sale of common stock in Columbia Pictures Entertainment.

The magazine business, which includes Time, Sports Illustrated, People and Fortune, turned in a $318m operating profit for 1989 on $1.86bn of revenues. Magazine advertising revenues rose by 6.5 per cent in 1989 and circulation by 5.1 per cent.

Time Warner is investing an estimated $150m on Entertainment Weekly, a new magazine launched this week that is claimed to be the ultimate consumer's guide to movies, television, records, video and books.

The second biggest division in revenue terms, filmed entertainment, made a $168m operating profit on $1.3bn of full year turnover, boosted strongly by the success of movies such as Batman.

The record and music publishing business, with $231m of profits on $1.1bn of revenues, was helped by non-US sales, which amounted to about half the total.

The international side of Warner Brothers, comprising record labels such as Atlantic Records, grew by around 30 per cent in the last quarter.

Dofasco wary despite advance

DOFASCO, Canada's largest steelmaker, increased revenues and profits in 1989 in spite of weakening demand, writes Robert Gibbens in Montreal.

However, the company was worried about steel prices and expected domestic demand in 1990 to fall 5 per cent.

Earnings for the year were C$259m (US$216.7m) or C$3.58 a share, up from C$222m or C$3.37 on revenues of C$3.9bn against C$3bn.

● Canadian Tire, a national car parts, hardware and sporting goods chain, met analysts' expectations with 1989 earnings of C$149.6m or C$1.65 a share, up from C$124.9m or C$1.37 a year earlier. Revenues rose to C$2.96bn from C$2.6bn.

Safeway Stores to raise $160m in share offering

By Roderick Oram in New York

SAFEWAY STORES, the leading US supermarket chain taken private by Kohlberg Kravis Roberts in a $4.2bn leveraged buy-out in 1986, is to raise up to $160m in a public share issue.

The California company's ability to return to the stock market is a measure of its substantially improved performance as a private company. The announcement was greeted by some analysts as an example of how leveraged buy-outs were originally meant to work.

Mr Kingman Penniman, a credit analyst with McCarthy, Crisanti and Maffei in New York, said: "The general premise was buy-outs were supposed to become better credits so the investors could exit through an initial public share offering.

"That became a joke because releveraging became the exit strategy" as some investors reduced their stakes by loading up companies with additional debt.

In the Safeway case, participants in its buy-out will retain their ownership, suffering only minor dilution of their stakes from the issue of 10m new shares, equal to about 9.7 per cent of its total equity.

Of the remaining equity following the issue, KKR will have a 63 per cent stake, SSI Partnership – a group of investors organised by KKR – 13.5 per cent and Safeway's management 9.3 per cent. The other 4.5 per cent will be held by former Safeway shareholders who received, as part of the 1986 buy-out package, warrants to buy Safeway shares.

Although KKR, the pioneer of leveraged buy-outs, has sold shares in a number of its smaller holdings over the years, Safeway would be the first public share offering in one of its big investments.

The proceeds will help fund the $3.2bn of capital spending Safeway has budgeted for 1990-94.

When KKR took it private 3½ years ago, Safeway was one of the most highly leveraged deals ever arranged. With $5.7bn of debt supported by a mere $185m of equity it had a debt-to-equity ratio of 31 to one.

Management moved quickly to sell poorly performing assets, cut costs, negotiate lower labour contracts and take other measures to turn round its performance. Long-term debt had fallen to $2.68bn by last September.

It reported yesterday that operating profits for the fourth quarter ended December rose 80 per cent to $139m from $77m a year earlier and for the full year rose 42 per cent to $463m from $326m.

Sales for the quarter increased 4.6 per cent to $4.52bn from $4.32bn and in the year by 5.2 per cent to $14.33bn from $13.61bn.

It reported a net loss for the quarter of $21m against a net loss of $15m a year earlier. Net profit for the full year was $3m against $31m.

The company said its improved operating performance was masked at the net level by two factors. In the latest period it paid a special tax charge of $46m to repatriate $460m from its Canadian subsidiary. A year earlier the net loss included a $48m after-tax gain from divestitures.

Buoyant sales bolster Hasbro

By Karen Zagor in New York

HASBRO, the largest US toy manufacturer which produces the Playskool and Milton Bradley toy lines, has reported record fourth-quarter earnings and sales.

Net income in the period advanced 14 per cent to $24m or 40 cents a share from $21.1m or 36 cents a year earlier. Sales of $417m were a record for a quarter.

For the whole of 1989 net income grew 27 per cent to $92.2m or $1.56 from $72.4m or $1.24. Sales improved 4 per cent to $1.41bn from $1.36bn. Earnings in 1989 were for 53 weeks, compared with 52 in 1988.

Mr Alan Hassenfeld, chairman and chief executive, said the group's international business grew "in most of the major European markets in spite of the negative effects of the strengthened US dollar during much of the year."

In the US, the Playskool and Milton Bradley lines continued to grow.

● Tonka, another big US toy maker, reported a return to profitability for 1989 after two years of losses, although sales fell slightly last year.

The highly leveraged company reported a drop in fourth-quarter earnings, in line with projections. It had net income for the three months ended December 31 of $1.3m or 13 cents against $7.4m or 95 cents a year earlier. Excluding extraordinary items, net income in the latest quarter was $3.3m or 32 cents. Revenues fell 10 per cent to $244.7m from $273.4m.

For the full year, net income was $5.7m or 90 cents against a loss of $5.8m or 75 cents. Excluding an extraordinary loss in the recent year, net income was $7.7m or 90 cents in 1989. Sales were $870.5m against $907.7m.

Growth of Tonka's mainline toy and game business partially offset an expected decline in sales of Sega video games.

Perth silicon project beats aims

By Kenneth Gooding, Mining Correspondent

BARRACK MINES, the Perth-based group, reported yesterday that at start-up, its silicon metal production – which is the first such project in Australia and adds more than 8 per cent to western world supplies – beat all performance targets.

Both furnaces were operating at output levels 25 per cent to 30 per cent better than budget, indicating that production could be maintained above 30,000 tonnes a year capacity.

"Product quality, the main determinant in obtaining premium prices, has been outstanding," said Barrack in its half-year report.

This has led to substantial high-value contracts being signed with buyers of premium-quality silicon.

Preliminary work has begun on doubling the size of the plant to 60,000 tonnes by late next year. And there are discussions on Barrack taking a role in developing a world-scale silicone production plant which would add value to the company's silicon metal output.

The project started in December and January, and played no part in Barrack's financial results for the half-year to December. The company's net profit for that period was little changed at A$20m (US$15m) compared with A$20.9m in the same period of 1988.

However, the latest half-year included an extraordinary profit of A$9m, whereas there was no corresponding figure in 1988.

Unrealised gains of A$11.4m on forward gold sales were not included in the result for 1989.

Barrack said that its operating profit in the most recent half year was adversely affected by the need to mine lower grade ore at its Horseshoe gold mine and by reduced world copper prices.

However, the second half should benefit from the silicon production, cheaper gold output from the Wiluna mine and increased production at the Croydon gold mine.

Dallhold offshoot defaults on loan

By Andrew Freeman

FURTHER evidence of growing pressure on Mr Alan Bond's financial empire has emerged after a Swiss subsidiary of Dallhold Investments, his private company, last week missed a final deadline on a SFr1.4m interest payment.

The subsidiary, Shield Enterprises, missed the payment on a SFr45m ($30m) loan which was privately placed in Switzerland by S.G. Warburg Soditic in 1986.

Warburg is believed to be examining whether it might apply to have the company wound up. However, officials stressed that no decision had been made.

The bank is consulting investors and will either call a special meeting or seek proxy powers to pursue the interest payment.

The payment was originally due on January 10, and after a grace period the loan was accelerated for payment on February 1.

Warburg said it still hoped the company could find a way to effect the payment, but it was not clear whether cross-default clauses would be triggered on other loans to Dallhold.

Dallhold is a group of companies through which Mr Bond controls his corporate interests.

● The Victorian Supreme Court has adjourned an appeal on the appointment of receivers to Bond Corporation Holdings's Australian breweries until February 21, Reuter reports from Melbourne.

Goodman Fielder in Singapore asset swap

By Joyce Quek in Singapore

THE SUPERMARKET operations of Singapore's Cold Storage Holdings are to pass to Goodman Fielder Wattie (GFW), the Australasian food group, in a complex asset swapping arrangement between GFW and Fraser & Neave (F&N), a local soft drinks conglomerate.

The deal involves GFW and four of the Oversea-Chinese Banking Corporation's stable of listed companies – F&N, Cold Storage, Centrepoint Properties and, peripherally, Robinson's department store.

Cold Storage will initially be 63.1 per cent controlled by GFW, which will pay S$103.1m (US$55.4m) for the stake currently held by Food Investments, itself a joint venture between GFW and F&N. GFW will make a general offer for the remainder.

Cold Storage, which owns a string of supermarkets, dairies and properties, will purchase a choice property for S$26m from, and jointly develop it with, Centrepoint.

From GFW and Food Investments, F&N will pay S$90m or S$2.14 a share to gain 45 per cent of Centrepoint, which represents Cold Storage's property interests.

F&N may make a general offer for the rest depending on whether it is deemed to be acting in concert with Robinson's, which holds a 20.9 per cent stake, and on a pre-emptive agreement to buy the Robinson's stake should it wish to sell and vice versa.

Centrepoint's crown jewel is the shop and apartment complex of that name in Orchard Road, Singapore's main shopping thoroughfare.

It houses the Cold Storage head office and main supermarket, which are leased up to 2001.

F&N will also acquire Cold Storage's 51 per cent stake in the profitable Cold Storage Dairies for S$26m and certain dairy brands for S$17.15m.

Through Food Investments, GFW and F&N gained control of Cold Storage in 1987 by acquiring the stake held by the family of the Earl of Portarlington. The two have now decided to dissolve their partnership.

According to Mr Noel Robertson, chairman of GFW and Cold Storage, the move comes because "we want to develop our core businesses. Cold Storage is not really in property development and F&N can get a sharp focus on the property angle."

GFW will concentrate fully on the food retailing and wholesale businesses.

Through a share reduction scheme, Cold Storage will distribute to its shareholders its 142.9m shares in Centrepoint. It will halve the S$1 par value of its own 24.4m shares.

Cold Storage shares touched S$5.10 yesterday before settling at S$4.88, up from Friday's S$4.52, which was already a 1989-90 high.

The bid, after its capital reduction, is pitched at S$1.66 a share.

● Pentex-Schweizer Circuits is seeking a listing on the Stock Exchange of Singapore, AP-DJ reports.

The printed circuit board manufacturer, a joint venture between Schweizer Electronic and Singapore's Pentex Circuits, is offering 10.9m shares at S$1.15.

Pentex-Schweizer is the third share offer in the republic this year.

Pacific Dunlop looks to units overseas for growth

By Chris Sherwell in Sydney

PACIFIC DUNLOP, one of Australia's largest industrial conglomerates, is looking to a strong contribution from its international operations to maintain growth in sales and profits in the current year.

Figures for the six months to December, released yesterday, showed a 23 per cent surge in after-tax profits to A$153.3m (US$115m). Revenues climbed 18 per cent to almost A$2.6bn.

Including non-recurring investment gains – which are counted as part of trading profit under new accounting standards – the profit was A$204.4m, up 63 per cent. Earnings per share increased to 21.8 cents (29.1 cents including the abnormals) from 19.3 cents.

Commenting on the results, Sir Leslie Froggatt, chairman, pointed to continued productivity gains in the Australian tyre, foam, fibre and cables businesses, which had resulted in increased market share.

But he also warned of reduced domestic demand, particularly in the retail sector, and indicated that the present consumer market downturn was likely to affect second half performance.

The group is clearly hoping that its international spread of businesses will help it maintain its growth record.

In the first half, profit from operations outside Australia represented 32 per cent of the total before interest and tax, while sales from the same operations amounted to 33.5 per cent of the total.

A detailed breakdown by division and geographic segment was not available, but the group highlighted the international performance of Ansell, the rubber products group, and cited improved results from the batteries and medical products divisions.

Integration of Ansell's industrial glove business with the newly acquired Edmont group had resulted in the world's largest producer and distributor of synthetic and latex industrial gloves, and results had been "excellent."

Directors declared an increased interim dividend, fully franked, of 9.5 cents a share compared with 7.5 cents in the same period last year.

Bankers Trust arm hits record

By Chris Sherwell

BANKERS TRUST Australia, the Australian arm of the US bank, yesterday consolidated its position as one of the most successful of the 16 foreign institutions that were given full Australian banking licences in 1985.

For the year to December, it showed record after-tax profits of A$103.3m (US$77.6m), up 84 per cent on the A$56.1m of the previous 13 months.

Mr Rob Ferguson, managing director, described the result as outstanding and said it could not have been achieved without all main business lines recording "substantial and improved" earnings.

The profit represents a return of almost 42 per cent on shareholders' funds of A$292m, which were up from A$201m.

Just under half of Bankers Trust Australia's profits came from fund management, said Mr Ferguson, and the remainder from investment banking.

Despite numerous corporate collapses, the group had suffered no loan losses during the year, he said. But having previously avoided taking on the established domestic banks in lending, the group was considering a strategic shift.

"Now that the credit excesses of deregulation have been revealed, we look forward in 1990 to assuming a more active lending role," he said. But he was not optimistic of a significant increase in profits this year.

Strong forestry performance lifts Elders Resources

HELPED BY a strong improvement in its New Zealand forestry operations, Elders Resources NZFP yesterday reported an after-tax profit of NZ$81.9m (US$48.8m) for the six months to December 31, compared with NZ$81m for the previous nine-month period, writes Terry Hall from Wellington.

During the previous nine months, the diversified Australasian group had been extensively restructured.

The report omitted all mention of its substantial Australian gold and coal operations, which are under pressure awaiting higher commodity prices. The company is 48 per cent owned by the Melbourne-based Elders IXL and is the result of the 1988 merger of NZ Forest Products and a diverse group of resource companies owned by Elders. These include Australian and US mining, oil, gas and metal recycling operations.

Directors noted that the large Sims Metal recycling business was performing well, improving its market position and expanding its non-metal side. They also said that Kaiser Engineers (now called Project Management Group) was performing strongly.

No divisional breakdowns were given. However, the restructured NZ Forest Products unit is known to be performing well, with analysts suggesting it is producing up to 70 per cent of group profits on assets of around 40 per cent.

The board said it was disappointed with the first half results, adding that the company had been held back by the New Zealand port strike which had adversely affected shipments of pulp, paper and timber and had increased working capital levels. But it went on: "In the long term, productivity gains from the resolution of this dispute would be positive."

The New Zealand operations had also been hit by commissioning delays in the expansion of the Te Papapa paper recycling plant in Auckland. They said that other factors depressing profitability were the high interest rates in Australia and severely reduced activity in international commodities.

The Anfor fibreboard business and the retail hardware group were sold during the period, also affecting results. The board said that in the second half the group would further consolidate core assets, increase its ownership of Oakbridge and Mawson Pacific and continue to sell small peripheral investments. It plans to sell some NZ$400m worth of assets this financial year to reduce its high debt levels.

Sales were NZ$2.14bn against NZ$2.64bn. No tax was payable in the latest period compared with NZ$8.7m in 1988, and there were no abnormal profits, whereas there were NZ$138.7m last time.

Earnings per share, excluding abnormal items, rose to 10.8 cents from 7.4 cents, and the dividend is being increased to 6.5 cents from 5.6 cents. Net asset backing per share is NZ$3.04, little changed from the previous NZ$3.03.

A total of NZ$348m was released from the sale of non-core assets, including its 15 per cent stake for NZ$250m in Santos, the Australian oil explorer, in December.

Dividend at Highveld Steel to double

By Our Financial Staff

HIGHVELD STEEL and Vanadium, the South African steelmaker, is more than doubling its dividend for last year after what it described as exceptional results.

Pre-tax profits jumped to R566.1m ($222.8m) from R224.5m on sales which rose by more than a third to R1.61bn from R1.19bn.

The payout – being made from net earnings per share of 450 cents – totals 130 cents, including an "extra" payment of 60 cents because of the strong performance. In 1988 a total of 57 cents was paid from earnings of 170.6 cents.

● Haggie, the wire rope maker, lifted sales by 35 per cent in 1989, helped by a 60 per cent increase in exports, writes Jim Jones in Cape Town.

Turnover increased to R1.18bn from R875m and pre-tax profits rose to R139.6m from R114.8m.

Net earnings climbed to 406 cents a share from 320 cents and the year's dividend has been raised to 155 cents from 128 cents.

● Metal Closures, the South African subsidiary of Metal Closures Group of the UK – itself recently taken over by Wassall – suffered a cut in profits last year. Although turnover increased to R133.3m from R123.4m, pre-tax profit fell to R14.6m from R19m.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, February 12, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	58.5200	35.0397	40.5930
Albania	(Lek)	10.1060	5.9587	3.5678	4.1333
Algeria	(Dinar)	13.4593	7.9359	4.7517	5.5048
Andorra	(Fr Fr)	9.6325	5.6795	3.4007	3.9396
	(Sp Peseta)	183.10	107.9599	64.6425	74.8875
Angola	(Kwanza)	50.9500u	30.0412	17.9876	20.8384
Antigua	(E Carr $)	4.5711	2.6952	1.6138	1.8695
Argentina	(Austral)	3170.97	1869.6757	1119.4951	1296.9202
Aruba	(Florin)	3.0305	1.7868	1.0699	1.2394
Australia	(Aus $)	2.2475	1.3251	0.7934	0.9192
Austria	(Schilling)	19.925	11.7482	7.0344	8.1492
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Fiji Is	(Fiji $)	2.5612	1.5101	0.9042	1.0475
Finland	(Markka)	6.6830	3.9404	2.3593	2.7333
France	(Fr)	9.6325	5.6795	3.4007	3.9396
Fr. Cty/Africa	(CFA Fr)	481.62	283.9740	170.0335	196.9815
Fr. Guiana	(Local Fr)	9.6325	5.6795	3.4007	3.9396
Fr. Pacific Is	(CFP Fr)	171.00	100.8254	60.3706	69.9386
Gabon	(CFA Fr)	481.62	283.9740	170.0335	196.9815
Gambia	(Dalasi)	14.0912	8.3084	4.9748	5.7632
Germany East	(Ostmark)	2.8325	1.6701	1	1.1584
Germany West	(D-Mark)	2.8325	1.6701	1	1.1584
Ghana	(Cedi)	520.82	307.0872	183.8729	213.0143
Gibraltar	(Gib £)	1.00	0.5896	0.3530	0.4089
Greece	(Drachma)	267.25	157.5766	94.3512	109.3047
Greenland	(Danish Krone)	10.9400	6.4504	3.8623	4.4744
Grenada	(E Carr $)	4.5711	2.6952	1.6138	1.8695
Guadaloupe	(Local Fr)	9.6325	5.6795	3.4007	3.9396
Guam	(US $)	1.6960	1	0.5987	0.6936
Guatemala	(Quetzal)	5.1064	3.0108	1.8027	2.0885
Guinea	(Fr)	507.90	299.4693	179.3115	207.7300
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	(Guilder)	3.1925	1.8823	1.1270	1.3057
N'nd Antilles	(A/Guilder)	3.0305u	1.7868	1.0699	1.2394
New Zealand	(NZ $)	2.8525	1.6818	1.0070	1.1666
Nicaragua	(Cordoba)	67942.50	40060.4363	23986.7608	27788.3436
Niger Rep	(CFA Fr)	481.62	283.9740	170.0335	196.9815
Nigeria	(Naira)	13.2393	7.8061	4.6740	5.4148
Norway	(Nor. Krone)	10.9350	6.4475	3.8605	4.4723
Oman	(Rial Omani)	0.6525	0.3847	0.2303	0.2668
Pakistan	(Pak. Rupee)	36.05	21.2558	12.7272	14.7443
Panama	(Balboa)	1.6960	1	0.5987	0.6936
Papua New Guinea	(Kina)	1.6477	0.9715	0.5817	0.6739
Paraguay	(Guarani)	2165.45	1276.7983	764.5013	885.6646
Peru	(Inti)	21714.00	12803.0660	7666.0194	8880.9815
Philippines	(Peso)	37.10	21.8750	13.0979	15.1738
Pitcairn Is	(£ Sterling)	1.00	0.5896	0.3530	0.4089
	(NZ $)	2.8525	1.6818	1.0070	1.1666
Poland	(Zloty)	16151.00	9522.9982	5702.0300	6605.7299
Portugal	(Escudo)	249.55	147.1403	88.1023	102.0654
Puerto Rico	(US $)	1.6960	1	0.5987	0.6936
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Yemen	(Rial)	16.5067	9.7327	5.8276	6.7512
Yemen PDR	(Dinar)	0.5756u	0.3393	0.2032	0.2354
Yugoslavia	(Dinar)	19.7091	11.6209	6.9581	8.0609
Zaire Rep	(Zaire)	810.00	477.5943	285.9664	331.2883
Zambia	(Kwacha)	40.30	[illegible]	14.2983	16.5644
Zimbabwe	($)	3.910	2.3054	1.3804	1.5991

Special Drawing Rights February 9, 1990 United Kingdom £1.27296 United States $1.30863 Germany West D Mark 2.21648 Japan Yen192.386 European Currency Unit Rates February 12,1990 United Kingdom £1.39029 United States $1.21917 Germany West D Mark 2.03906 Japan Yen176.109

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Bellbow rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.

Monday, February 12, 1990

INTERNATIONAL CAPITAL MARKETS

Citicorp launches $1bn credit-card backed issue

By Deborah Hargreaves

AS INTEREST in global bond issues picks up across Europe, Citicorp is issuing $1bn of credit-card backed bonds in the US with Salomon Brothers lead-managing the two-tranche deal. Salomon announced the terms of the deal yesterday with pricing to be finalised on Wednesday.

INTERNATIONAL BONDS

The Citicorp bond issue was launched in the US and much of the paper is expected to be placed there, although the issue is likely to trade globally. The underwriting group for the bonds is large and includes Japanese, Swiss and German banks as well as US houses.

Although the yield fixed on the two tranches is regarded as slightly tight for the European market, the issue has seen some demand from European and Japanese institutions. European investors are aware of the strength of demand for 5-year paper in the US and are attracted to buy since they are confident that any excess paper will be absorbed by US institutions.

The Swiss market came under pressure again yesterday as several new issues attracted investor interest away from existing deals.

Existing issues in Switzerland fell by ¼ to ⅝ as concern washed over from the West German market where prices tumbled by ½ to 1¼.

Canadian borrowers continued to meet a mixed reception in the Swiss market where a recent issue for Hydro Quebec which carried a coupon of 7¼ per cent eased slightly to less ¼ bid. The City of Montreal's recent issue ended its first day of primary market trading at 101 compared with a par issue price. A new issue for the Province of Manitoba for SFr200m of bonds was priced at 101 to start with, and carried a coupon of 7¼ per cent.

In the UK market, Paribas launched an Ecu200m floating rate note for Caisse Centrale de Cooperation Economique which carries both a call and a put option at par. The issue pays a quarterly coupon of three-month Libid flat and aims to exploit a defensive mood among investors interested in putting money into cash instruments.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
C.Cen.de Coop.Economique‡◆	200	(a)	100.15	2005	10/5bp	Banque Paribas
YEN						
Banque Nat. de Paris(b)◆	25bn	7	101.825	1995	1⅞/1¼	IBJ Int.
SWISS FRANCS						
Province of Manitoba(b)◆	200	7¼	101	2000	2½	UBS
Nat. Nederlanden US(b)☆☆◆	75	7⅛	101	1995	1⅞	SBC

☆☆Private placement. ‡Floating rate notes. ◆Final terms. a) Coupon pays 3-month Libid flat. Call every coupon date from February 1992 at par. Put February 2000 at par. b) Non-callable.

Norway plans to ease foreign bank laws

NORWAY'S centre-right three-party Government has proposed legislation to make it easier for foreign banks to establish subsidiary and branch operations, writes Karen Fossli in Oslo.

In a White Paper to the Storting (Norway's parliament), in which further liberalisation of the financial markets is proposed to bring Norway in line with the European Community's planned internal market, the Government has recommended the abolition of a requirement for foreign banks to register as Norwegian companies before starting business.

In addition, the Government intends to allow foreign bank subsidiaries in Norway to own shares in Norwegian financial institutions on the same terms as those for Norwegian-owned financial institutions.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 12

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅝ 96	750	97⅞	98¼	+0⅛	+0⅛	9.02
Alberta 9¼ 95	600	101⅛	101⅛	+0⅛	+0⅛	9.01
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅞	99⅞	+0⅛	+0⅛	6.63
Canada 5⅝ 93	80	96⅛	96⅛	0	0	6.74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

INTERNATIONAL CAPITAL MARKETS

German bonds fall further on monetary union fears

By Stephen Fidler in London and Karen Zagor in New York

THE WEST German government bond market sank for the sixth consecutive trading session amid fears about the consequences of German monetary union.

The average yield on all outstanding public authority bonds in Germany with a remaining maturity of more than three years rose to 8.74 per cent yesterday, the highest level since the summer of 1982.

Again the drop in prices was led by the London International Financial Futures Exchange, where nearly 63,000 contracts traded in the most active contract for March delivery.

That was down by more than 1¼ points at one time, before recovering to close at 83.10 against the closing 83.96 on Friday.

Sentiment, generally, was that the current fall of the market had been significantly overdone. But, in view of unprecedented volatility, few held the conviction strongly enough to begin to commit funds.

The worries for the bond market are essentially two-fold. There has been a rise of inflationary expectations in West Germany amid worries of the impact of the large savings balances in East Germany on consumption.

If East German marks are converted into D-Marks at too high a rate, this could, it is feared, increase consumption without a concomitant rise in production, thereby pushing up German inflation.

Even if the Bundesbank succeeds in holding down inflationary worries by keeping short-term interest rates high, this would eventually feed through into long-term interest rates, pushing down bond prices.

The second worry is that the need for finance from East Germany will push up demand for credit.

This could lead to higher interest rates in West Germany, and — because of that economy's central place in the European monetary picture — in the rest of Europe.

Nevertheless, while caught in the German downdraught, other European bond markets are holding up better, with investors taking the view that the rest of Europe will not be so deeply affected.

The yield differential between the French and German markets narrowed to 145 basis points yesterday, with 10-year French bond yields moving above 10 per cent.

The guilder market had a poor day, however. Trading in guilder bond futures in Amsterdam was suspended for half an hour yesterday morning, when the most active March contract fell limit down in thin trading.

With sterling outside the European Monetary System and with the gilt market suffering its problems earlier in the year, UK government bonds were somewhat calmer, down by ¼ point at the longer end.

■ US TREASURY bonds were broadly lower yesterday, with the short end of the yield curve outperforming longer bonds as the debt market absorbed reports that Drexel Burnham Lambert, the big Wall Street investment firm, was looking for a major investor or merger partner.

In late trading, the Treasury's benchmark 30-year bond dropped 1¼ point at 100⅝, yielding 8.43 per cent.

The performance was somewhat better at the short end of the yield curve, where the two-year bond was down ⅛ point, yielding 8.30 per cent.

The Federal Reserve drained reserves from the banking system by arranging three-day matched sale-purchase agreements when Fed funds, the rate at which banks lend to each other, were changing hands at 8⅛ per cent.

The Fed was seen facing a draining requirement in the two-week statement period that began on Thursday.

The Fed's target rate for the funds is thought to be 8¼ per cent.

An early morning rumour that Drexel would file for protection under Chapter 11 of the bankruptcy code sent maturities higher right across the board.

However, when the rumour was denied by Drexel, bond prices started to drop as traders unwound positions and took profits.

Before the Drexel news, Treasury bill rates were up as much as three basis points from Friday's close. Treasury bill rates were down as much as seven basis points on the day, with about half of those losses added after the Drexel story broke.

Drexel cited unsettled markets, particularly the junk bond markets, as having "adversely affected" the liquidity of its parent company.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-31	-3/32	12.33	12.31	11.74
		10.500	[illegible]	95-01	-7/32	11.30	11.35	10.86
		9.000	10/08	88-12	-10/32	10.42	10.40	9.93
US TREASURY *		7.875	11/99	96-08	-30/32	8.43	8.32	8.09
		8.125	8/19	96-07	-22/32	8.47	8.34	8.17
JAPAN	No 119	4.800	9/99	88.4529	+0.162	6.65	6.68	6.49
	No 2	5.700	3/07	95.0599	-	6.30	6.33	6.82
GERMANY		7.125	12/99	90.6500	-0.750	8.57	7.77	7.45
FRANCE	BTAN	8.000	10/94	90.4322	-0.628	10.68	10.33	10.15
	OAT	8.125	5/99	88.6000	-0.400	10.02	9.71	9.47
CANADA *		9.250	12/99	93.9000	-0.950	10.25	10.09	9.79
NETHERLANDS		7.500	11/99	90.6200	-2.440	8.98	8.41	8.12
AUSTRALIA		12.000	7/99	94.0375	-1.235	13.11	12.89	12.93

London closing, *denotes New York closing. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal.

Technical Data/ATLAS Price Sources

Successful launch for Hungarian share issue

By Andrew Freeman

A HUNGARIAN company has successfully issued shares to be traded over-the-counter on the Austrian market, benefiting from increased investor interest in east European markets.

A placement of shares and warrants amounting to about 5 per cent of the company's capital was completed for Skala Coop, Hungary's largest trader of consumer goods. Both deals were quoted at substantial premiums yesterday, according to First Austrian Bank, the lead manager.

The share issue of 3,390 global bearer certificates was trading at Sch3,600 bid, well above the Sch2,800 issue price, while the 107,000 warrants were trading at Sch240 bid, against a minimum tender price of Sch80. There were no offer prices posted by traders who were anxious to avoid being caught out by the sharp increases.

A bank official said there had been huge demand during the short subscription period last week. The share issue was oversubscribed by more than forty times, and most of the warrants were sold at prices higher than Sch148. Below Sch148 the bank reported demand for more than 1m warrants.

The Skala issue brings the number of Hungarian shares quoted in Vienna to five. Further deals for Hungarian companies are in the pipeline. Girozentrale is thought to be preparing an issue for Ibus, the state-owned travel agency.

CSFB names Asia chief executive

CS FIRST Boston yesterday appointed Mr Allen Wheat as chief executive of its Asian subsidiary, 13 months after establishing the unit in a reorganisation of the firm, writes Stephen Fidler.

Mr Wheat, 41, formerly chairman of Bankers Trust International, Bankers Trust's merchant banking unit outside the US, will also sit on CSFB's executive committee and be responsible for building up global swaps and derivatives.

Samick seeks $30m for overseas growth

By John Ridding in Seoul and Stephen Fidler in London

SAMICK Musical Instruments, the South Korean company which is the world's largest exporter of pianos, will today launch a $30m convertible Eurobond issue to finance the setting up of manufacturing bases in other countries.

Ssangyong Securities will run the books on the issue, the first time a Korean firm has taken this role in the international markets.

Barclays de Zoete Wedd and Daiwa Europe are also lead managers.

The issue is the third this year by a Korean company, reflecting a more relaxed stance by the Ministry of Finance, which approved only two convertible bond issues last year.

Unlike the previous three equity-linked issues from Korean companies, Samick's bonds will be convertible into common shares, rather than non-voting preferred shares. Korean convertibles have traditionally come to market with low coupons of about 1½ per cent, and high conversion premiums of at least 75 per cent above the stock price.

However, the scarcity value of Korean paper in the international market has fallen over the last year.

In December, the ministry decided to allow companies establishing high-technology businesses to raise funds through convertible issues, as well as those like Samick, which plan to establish overseas manufacturing operations.

Manufacturing plants are to be set up in Indonesia and China to produce pianos and guitars, and the company also plans to diversify into the wood products market through a $20m joint venture in Alaska.

Samick, along with Young Chan, dominates the domestic Korean musical instrument market and its principal products include upright and grand pianos and acoustic and electric guitars.

Sales have grown steadily and are estimated to have reached 140.5bn won ($205m) for 1989.

But, like many other Korean companies, Samick has suffered from a sharp increase in labour costs, and the appreciation of the won over the last two years.

As a result, pre-tax profits are estimated to have fallen from 6.3bn won in 1988 to about 1.7bn won last year.

A recovery in profits has been forecast for the current year, but Samick's directors are also taking steps to reduce the company's exposure to the rising domestic cost base.

Astronomical prices fall to earth

John Ridding examines the downward pressure on Korean paper

The astronomical prices traditionally enjoyed by South Korean Euromarket instruments are coming down to earth. From blue chip convertible bonds, like Samsung, which have seen their premiums almost halved since the final quarter of 1989, to the closed-ended funds listed in New York and London, investors have marked down prices sharply.

As with any Korean downturn, this weakness is relative. Samsung, for example, still trades on a premium of over 80 per cent. But with a stream of further issues expected this year Korean companies are watching closely the strength of foreign demand.

The immediate cause of the falls has been an increase in the number of issues. Because foreign investors are not allowed to invest directly in the Korean stock market, the handful of indirect instruments enjoyed a scarcity value, which resulted in premiums as high as 1,000 per cent.

But the Government's policy of financial liberalisation means that the approval of new issues has been accelerated. The two new issues launched so far this year, with a combined value of $120m, already exceed the total for 1989. Samick is launching a new bond today, and an issue by Samsung Electronics is imminent.

The less buoyant market facing new issues is also a result of broader factors in the Korean economy and financial system — in particular, the performance of the underlying stock market has been dismal. In 1989 it rose by a meagre 0.3 per cent and this year it has been falling, in spite of government support.

The poor performance of the stock market is itself the result of a general economic slowdown.

Last year's increase in gross national product of 6.7 per cent, while impressive by international standards, represents almost a halving in the growth rate achieved by Korea in the preceding three years. The impact of tight domestic monetary policy, the sharp increase in labour costs, and the effects of currency appreciation were largely to blame.

Two further factors add to the downward pressure on Korean paper.

On the one hand, investors are finding better value in some of South Korea's neighbouring markets. Indonesia and Malaysia, which are relatively open to foreign investment, have been particularly fashionable.

In addition, South Korea's commitment to a partial opening of its stock market to foreign investment by 1992 means that investors may be more prepared to wait, rather than pay excessive premiums to gain Korean exposure.

The immediate cause of the falls has been an increase in the number of issues. Financial liberalisation has quickened the approval of new issues. The two new issues so far this year, with a combined value of $120m, exceed the total for 1989

The weakening market has implications for Korean companies considering tapping the international market for funds.

In particular, the terms on which convertible bonds are being issued may have to become more generous.

"So far, the coupons have been kept low," says Mr Alistair Staddon of Barings Securities, "but most of the terms were concluded last year, and there may have to be some improvement in forthcoming issues."

In practice, however, issuing bonds on Euromarkets is still by far the cheapest form of financing open to Korean companies.

Continued tight domestic monetary policy means that companies face interest rates in excess of 10 per cent and the domestic stock market has suffered from a glut of new issues, as the Government has sought to broaden the shareholder base and to reduce companies' dependence on debt financing.

With a likely stream of further issues and no immediate prospect of a strengthening in the underlying market, the downward pressure will remain.

For many issues this will be offset by the existence of put options. The issue by STC, the flexible packaging maker, for example, has been buttressed by the guarantee of a relatively attractive yield.

Most analysts believe that premiums are unlikely to slip much further, and that the approach of the market opening will be offset by a rise in underlying share prices.

"We don't believe there is much more downside," commented one broker, "but excessive prices are a thing of the past, and investors are going to be much more selective about which bonds they take up."

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

Compiled by the Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Feb 12 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Feb 9 Index No.	Thu Feb 8 Index No.	Wed Feb 7 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (203)	874.75	-0.9	13.00	4.88	9.37	1.62	882.52	889.91	884.84	901.81
2	Building Materials (27)	1075.40	-1.1	14.64	5.25	8.51	0.50	1087.60	1097.10	[illegible]	1123.83
3	Contracting, Construction (37)	1496.02	-0.2	16.51	5.26	7.93	0.67	1499.71	1508.31	1506.09	1653.08
4	Electricals (10)	2508.17	-1.9	10.76	4.97	11.60	0.75	2532.53	[illegible]	2542.36	2635.75
5	Electronics (30)	1916.85	-0.5	9.38	3.76	13.79	10.21	1926.53	1934.81	1985.30	2031.17
6	Engineering-Aerospace (8)	434.09	-1.3	13.93	5.08	8.82	0.04	439.70	446.09	447.82	0.00
7	Engineering-General (44)	467.38	-0.7	12.01	5.05	10.03	1.28	470.75	474.67	474.32	0.00
8	Metals and Metal Forming (6)	467.56	[illegible]	25.22	6.43	4.47	0.00	470.15	474.30	471.12	519.31
9	Motors (16)	361.94	-1.0	[illegible]	5.85	8.80	0.00	365.62	369.99	370.62	387.86
10	Other Industrial Materials (25)	1570.87	-1.2	10.74	4.59	10.80	3.06	1589.49	1604.76	1596.97	1512.62
21	CONSUMER GROUP (177)	1248.22	-0.9	9.05	3.81	13.79	3.85	1259.37	1269.93	1260.59	1167.64
22	Brewers and Distillers (22)	1446.10	-1.0	9.66	3.64	12.77	6.54	1460.80	1483.95	1475.30	1263.37
25	Food Manufacturing (19)	1096.93	-0.6	9.76	4.03	12.75	1.70	1103.43	1115.20	1107.81	1045.11
26	Food Retailing (16)	2268.21	-0.3	8.95	3.34	14.50	6.99	2276.04	2299.40	2275.95	2028.01
27	Health and Household (13)	[illegible]	-1.1	6.44	2.69	18.49	0.20	2456.90	2460.48	2441.81	2129.43
29	Leisure (33)	1575.66	-1.1	8.57	3.76	14.38	4.83	1591.99	1604.50	1597.23	1554.09
31	Packaging & Paper (13)	573.12	-0.4	[illegible]	5.41	10.30	0.90	575.29	581.50	580.92	590.17
32	Publishing & Printing (17)	3527.97	-0.9	9.17	5.01	13.92	21.20	3559.92	3570.83	3544.19	3770.44
34	Stores (31)	779.17	-1.0	11.19	4.82	11.03	1.70	787.21	790.20	785.99	773.72
35	Textiles (13)	502.02	[illegible]	11.52	5.97	10.53	0.27	506.60	511.51	507.61	516.16
40	OTHER GROUPS (103)	1172.00	-0.7	10.91	4.76	10.99	0.34	1180.76	1186.94	1171.45	1039.09
41	Agencies (17)	1573.64	-1.3	[illegible]	2.12	18.47	0.05	1594.32	1593.67	1568.72	1196.72
42	Chemicals (22)	1200.10	-0.6	12.63	5.36	9.33	0.57	1207.05	1213.17	1197.26	1197.67
43	Conglomerates (13)	1604.35	[illegible]	11.20	6.11	10.49	0.00	1617.07	1633.60	1615.75	1474.62
44	Transport (13)	2239.03	[illegible]	10.81	4.29	11.79	2.88	2255.70	2271.57	[illegible]	2259.97
46	Telephone Networks (2)	1236.49	-1.1	10.27	4.14	12.66	0.00	1250.21	1254.59	1224.59	1094.16
47	Water (10)	[illegible]	-0.4	17.56	6.83	6.31	0.00	1991.79	2007.58	2005.53	0.00
48	Miscellaneous (26)	1875.20	-0.1	9.40	4.39	11.90	0.91	1878.02	1886.14	1871.20	1431.95
49	INDUSTRIAL GROUP (483)	1145.16	-0.8	10.61	4.37	11.53	1.86	1154.86	1163.40	1153.25	1083.19
51	Oil & Gas (17)	2391.38	[illegible]	9.80	4.77	14.67	6.21	2429.32	2434.97	2409.81	1904.58
59	500 SHARE INDEX (500)	1248.64	-0.9	10.38	4.45	11.90	2.20	1260.56	1269.10	1257.52	1151.15
61	FINANCIAL GROUP (114)	819.86	-1.4	–	5.19	–	0.99	831.09	836.22	831.60	749.06
62	Banks (9)	863.83	-2.2	19.83	5.61	6.63	[illegible]	883.27	889.30	883.26	754.30
65	Insurance (Life) (7)	1358.81	-1.4	–	4.89	–	0.00	1378.19	1389.21	1400.26	1036.81
66	Insurance (Composite) (7)	687.13	[illegible]	–	5.50	–	0.00	695.16	697.88	690.14	594.03
67	Insurance (Brokers) (6)	1106.98	-0.6	6.67	5.69	19.95	0.00	1113.61	[illegible]	1116.86	1029.60
68	Merchant Banks (8)	497.83	-0.9	–	3.50	–	0.04	501.73	502.02	500.23	350.99
69	Property (49)	1155.41	-0.3	7.90	3.76	16.02	1.30	1158.34	1169.86	1160.62	1297.09
70	Other Financial (28)	330.11	-0.6	12.85	6.40	10.27	1.75	331.99	331.28	330.77	384.95
71	Investment Trusts (68)	1215.74	-0.5	–	3.01	–	1.13	1221.99	1226.87	1221.49	1059.26
91	Overseas Traders (5)	1407.05	-1.6	10.81	6.50	10.89	30.79	1430.44	1434.31	1426.38	1415.07
99	ALL-SHARE INDEX (687)	1145.18	[illegible]	–	[illegible]	–	2.04	1156.72	1164.32	1154.55	1053.37

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Year ago
FT-SE 100 SHARE INDEX♦	2286.9	-26.7	2313.3	2282.4	2313.6	2331.0	2307.4	2321.1	2346.4	[illegible]

FIXED INTEREST

	PRICE INDICES	Mon Feb 12	Day's change %	Fri Feb 9	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.26	+0.03	115.23	–	1.39
2	5-15 years	124.12	-0.19	124.57	0.22	1.60
3	Over 15 years	132.37	-0.38	133.54	0.66	0.98
4	Irredeemables	150.11	-0.47	[illegible]	–	0.00
5	All stocks	123.68	-0.13	124.05	0.18	1.46
	Index-Linked					
6	Up to 5 years	140.36	-0.24	140.69	–	0.00
7	Over 5 years	136.42	-0.34	136.88	–	0.64
8	All stocks	136.60	[illegible]	137.05	–	0.59
9	Debentures & Loans	101.96	+0.75	101.92	0.79	[illegible]
10	Preference	80.51	-0.28	81.44	0.70	0.86

	AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 12	Fri Feb 9	Year ago (approx.)
	British Government				
1	Low	5 years	10.75	10.72	8.92
2	Coupons	15 years	10.40	10.34	8.82
3		25 years	10.28	10.22	8.77
4	Medium	5 years	11.91	11.87	10.08
5	Coupons	15 years	10.77	10.72	9.27
6		25 years	10.38	10.33	8.92
7	High	5 years	12.03	12.01	10.22
8	Coupons	15 years	10.97	10.91	9.48
9		25 years	10.51	10.45	9.09
10	Irredeemables†		10.32	10.26	8.75
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.44	4.33	3.57
12	Inflation rate 5%	Over 5 yrs.	3.85	3.83	3.59
13	Inflation rate 10%	Up to 5 yrs.	3.57	3.44	2.76
14	Inflation rate 10%	Over 5 yrs.	3.69	3.66	3.43
15	Debs &	5 years	13.27	13.36	11.73
16	Loans	15 years	12.75	12.79	11.25
17		25 years	12.75	12.78	10.73
18	Preference†		11.46	11.40	10.03

♦Opening index 2313.0; 10 am 2304.0; 11 am 2297.2; Noon 2297.7; 1 pm 2298.0; 2 pm 2300.6; 3 pm 2301.4; 3.30 pm 2295.7; 4 pm 2287.4 (a) 9.05am (b) 4.11pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
NAME CHANGE: Whatman Reeve Angel (27) has become Whatman. PLEASE NOTE: The 1990 FTA constituent list is now available.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	86	14
Corporations, Dominion and Foreign Bonds	0	13	24
Industrials	238	520	843
Financial and Properties	79	274	341
Oils	23	35	34
Plantations	1	1	8
Mines	9	92	57
Others	58	93	101
Totals	408	1,114	1,422

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	–	101	93	Abtrust New Thai Inv.	95		–	–	–	–
–	F.P.	–	61	45	Do. Warrants	46	-1	–	–	–	–
§75	F.P.	–	92	81	♦Air London 5p	92		R2.25	2.5	3.3	13.9
–	F.P.	–	1½	½	Atlantic Res. Warrants	1½		–	–	–	–
100	F.P.	–	100	100	BZW Conv. Inv. Tst. 10p	100		–	–	–	–
–	F.P.	–	4½	1	Bear Brand Warrants	2½		–	–	–	–
§42	F.P.	–	45	37	*Blenart 1p	39		–	–	–	–
†	F.P.	–	300	300	*Chartwell Group £1	300		R1.0	–	0.4	–
†	F.P.	–	215	215	*Clydesdale Storage Serv.£1	215		–	–	–	–
–	F.P.	–	49	39	First Philipps. Inv. Tst.	40		–	–	–	–
–	F.P.	–	19	17	Do. Warrants	19	+1	–	–	–	–
†	F.P.	–	59	57	Gartmore Emg. Pac. 10p	58		R0.1	–	0.2	–
†	F.P.	–	26	23	Do. Warrants	26		–	–	–	–
150	F.P.	–	145	139	Goldsmiths Group 10p	139		R5.1	1.8	4.9	12.9
$100	F.P.	–	108	105	Grosvenor Dev. Cap.	107	-1	–	–	–	–
§38	F.P.	–	43	38	*Image Store Hldgs. 10p	42	+1	–	–	–	–
†	F.P.	–	600	456	JF Philippine Fd $1	457	-1	–	–	–	–
†	F.P.	–	265	195	Do. Warrants	206	-1	–	–	–	–
†	F.P.	–	665	616	Kyowa Bank Y50	644	-2	Q1.4%	4.7	0.5	46.4
100	F.P.	–	103	99	Lon. & New York Dr. Tst.	100		R6.30	–	8.5	–
§10.5	F.P.	–	648	609	Malaysian Smlr. Co's Fd.	641	[illegible]	–	–	–	–
§	F.P.	–	299	233	Do. Warrants	235	[illegible]	–	–	–	–
–	F.P.	–	35	22	Merlin Intl Green Wnts	32	-1	–	–	–	–
§75	F.P.	–	76	66	[illegible] Group 1p	66		R2.25	3.4	4.5	7.7
240	100	–	190	108	Northumbrian Water	102	-2	R16.1	3.6	6.6	4.5
90	F.P.	–	95	81	Platinum Mining 20p	86	+3	–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+or-
100p	F.P.	–	117p	114p	BZW Conv. Inv Tst. Units '96-2002 5p	116	
–	F.P.	–	85p	71p	Bear Brand 10¼pc (Net) Cv.Cu.Pf	71p	-2
98.94	F.P.	–	99¼	93⅝	British Inv. Tst. 11¼pc Sec. Db 2012	93⅝	
89.65	£30	–	30½	28½	Brixton Ests. 10¾pc 1st Mtg Db 2012	28½	
99.66	F.P.	–	100½	94¼	Foreign & Col. 11¼pc Db. 2014 £100	94¼	
§	£50	–	55	53	Grosvenor Dev. Cap. 7¾pc Uns.Ln.1999	54½	
100	F.P.	–	100	97	Ramlock 12pc Cv.Uns.Ln 2000	97	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or-
236	Nil	–	26pm	16pm	♦Norfolk House 5p	23pm	-3
90	Nil	–	3pm	½pm	Platinum Mining 20p	½pm	
670	Nil	–	114pm	65pm	Rank Organisation	65pm	-19

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. o Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings — Feb 5
- Last Dealings — Feb 16
- Last Declarations — May 10
- For settlement — May 21

For rate indications see end of London Share Service

Calls in Astra Hldgs., Aviva Pet., Benlox, Brit. Airways, Bula Res., Christies Int., Cityvision, Ferranti, Gaelic Res., Grovewood Sec., Hughes Food, Priest Marians, Rosehaugh, Spectrum and Strong & Fisher.

LONDON TRADED OPTIONS

OPTIONS traded quietly again yesterday as the underlying market fell back in low volume dealing. The main features were in the FT-SE 100 Index option, while in the stocks, Racal and Blue Circle were active.

Total market turnover amounted to 22,783 contracts, of which 12,794 were calls and 9,989 were puts.

Yesterday's total compared with the 24,586 contracts which changed hands on Friday. Dealers said a lot of trade had been between market-makers. Private clients showed sporadic interest while the institutions remained on the sidelines.

Attention was focused on the FT-SE option index, which traded 8,971 contracts, compared with 4,775 on Friday.

Yesterday's total was divided between 6,143 calls and 2,828 puts. The February 2,350 call series was the busiest, with 1,593 lots changing hands.

Among the stock options, Racal was the busiest, trading 1,595 contracts, equivalent to 1.59m shares.

Turnover was boosted by a bullish trade executed by UBS Phillips & Drew. The transaction involved buying 250 of the February 230 puts at 13p and selling 500 of the August 220 puts at the same price.

UBS has been positive towards Racal as presentations have taken place in Europe, with more still to come. Racal finished ½ up at 222p on a turnover of 433,000. Blue Circle was also active, trading 1,104 contracts, of which 550 were calls and 554 were puts.

The June 220 put series was the busiest, trading 554 lots. BZW was active in the market, buying 550 of the June 220 calls at 21p and selling 550 of the June 220 puts at 10p. This was said to be a technical trade, which allows the purchase of stock at 231p for an initial cost of 11p via the options market.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allid Lyons (*424)	460	38	50	63	11	19	22
	500	15	26	43	33	40	43
	550	4½	13	24	78	78	80
ASDA (*104)	100	12	17	20	4½	6	10
	110	7	13	15	11	11½	15
Brit. Airways (*195)	180	23	25	31	4	7	8½
	200	9½	14	20	12	16	18
	220	3½	7	12	28	29	31
Brit. Com (*72)	70	11	15	16	6	9	11
	80	6	10	14	11	14	16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Ultramar (*365)	360	[illegible]	42	52	15	18	23
	390	12	25	37	32	35	37

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit. Aero (*528)	500	30	52	67	3½	25	26
	550	5	27	45	[illegible]	[illegible]	52
BAA (*366)	360	13	30	42	4	15	18
	390	1½	17	25	27	28	34
BAT Inds (*806)	800	19	55	80	13	33	40
	850	4	32	55	47	60	67
BTR (*422)	420	10	27	41	5½	21	24
	460	1	12	22	40	45	49
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*182)	180	8	13	16	9	11	14
	200	2	5	9	26	[illegible]	29
Amstrad (*54)	50	7	10½	15½	3½	6	7½
	60	3	7	10½	9½	11	13
Barclays (*556)	550	22	38	48	23	27	37
	600	4	17	28	62	62	65
Blue Circle (*227)	220	17	[illegible]	30	5	11	14
	240	–	11	19	–	24	27
British Gas (*223)	220	10	20	25	5	8	11
	240	1½	8½	10½	19	20	22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

UK COMPANY NEWS

HunterPrint runs up £2m loss and omits final

By Clare Pearson

HUNTERPRINT, the troubled specialist printing group, yesterday announed its first annual loss in over 23 years and said it would not pay a dividend for the current 12 months.

For the year to October 1 the company ran up a loss of £2.2m pre-tax compared with previous profits of £6.45m.

HunterPrint's problems have been created by substantial disruption and strain on resources associated with the opening of a big new factory, increased competition in the printing industry and higher interest rates in the UK.

The depth of the company's problems was highlighted by yesterday's disclosure that there would be no final dividend – only last month the directors said they expected to pay 1p although they revealed that the company had fallen into the red.

A mass of problems beset the new factory at Corby, Northamptonshire, for the dominant magazines and catalogues printing division during the year.

Orders in the division as a whole were nearly 27 per cent lower. This was blamed on clients' worries that closures of the previous factories at Southampton and in Durham would disrupt production schedules.

The other two remaining divisions were trading profitably although suffering tighter margins. Financial printing, which accounted for about 10 per cent of sales during the year under review, was sold for about £3m in January.

There was an £814,000 (£106,000) exceptional debit comprising the £700,000 reorganisation of business forms together with financial printing redundancies. A £9.1m debit taken below the line related to the magazine and catalogue division.

Turnover was £85.43m (£95.57m). Fully-diluted loss was 9.88p (earnings 26.78p). The interim dividend was 3p and the total for the 1987-88 year amounted to 10p, the final being 7p.

● COMMENT

Many people said what a brave move it was in June 1988 when HunterPrint raised £10.6m by way of rights to fund a brand new factory at Corby. Just how brave has only now become clear. Pre-tax losses in the current year could be £3m, or another number. There is certainly no hope of a dividend as the company wades through what is undoubtedly a critical period in its history. It is budgeting for an interest charge in the order of £4m. Debt has risen by about £2m since the year end, when it stood at £23m against net assets of £20.5m. To sort out the problems at Corby specific to itself it must push more work through the factory, at a time when there is a danger it may have lost credibility with customers. It may therefore find itself scrabbling for low quality work at a time when there is less and less work around in the industry anyway. A 7 to 8 per cent wage increase in April will not help. It is not hard to conclude the shares are to be avoided.

DIVIDENDS ANNOUNCED

Automagic § ....int	2.25	-	2.25	-	6.5
Black (Peter) ....int	0.77†	Apr 30	0.65	-	2.4
Dalgety ....int	7.15	Jul 2	6.5	-	18.5*
Essex Furn § ....int	1	-	-	-	-
European Assets ......fin	0.1‡	May 4	0.08	0.14	0.12
Fairway (Ldn) § ......fin	1.75†	-	1.5	2.75	2.5
Howard Holdings ......int	0.6	Apr 5	0.6	-	1.5
HunterPrint ....fin	nil	-	7	3	10
Second Alliance ......int	11	Apr 4	8	-	26
TR Pacific IT ....fin	0.25	Apr 27	0.2	0.25	0.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Guilders throughout.

Avon Rubber warns of worsening conditions

By Clare Pearson

LORD FARNHAM, chairman of Avon Rubber, yesterday signalled to shareholders that trading conditions this spring were turning out to be even more difficult than recently feared.

Sharp cuts in US car and truck production and continued disruption at Ford plants in the UK were the main factors in the up-to-date trading picture at Avon, the polymers, tyres and inflatables group.

Speaking at the company's annual meeting in Melksham, Wiltshire, Lord Farnham said: "It is clear that we are faced with generally difficult market conditions this year but we still believe that overall it will turn out to be one of progress."

In the US, severe production cuts by major motor manufacturers in recent months had particular importance for Cadillac, the US rubber and plastics group acquired last summer.

In the UK, demand for some of Avon's products had already softened. "We are concerned about the situation at Ford, where disruption at a number of their plants is already causing us to lose sales," he added.

Avon saw its pre-tax profits fall from £16.27m to £12.46m in the year to end-September. Lord Farnham reminded shareholders he had indicated in the company's annual report for that year, posted to shareholders last month, that the extent of progress in the current period would be largely dependent on market conditions.

Avon was still expecting conditions to have improved in the US car sector by the end of the second quarter. Although Cadillac was being affected in the meantime the company was succeeding in obtaining new business and this, coupled with significant reductions in overhead costs, would ensure it benefited in full measure when volume improved, he said.

Trelleborg, the big Swedish industrial group, has built up a 4.8 per cent stake in Avon, announced last month. It has said it has no present intention of making a bid.

From car hire to a higher financial plane

John Thornhill examines the logic behind Godfrey Davis' £133m bid for Sketchley

THE NAME of Godfrey Davis still conjures up associations with car hire activities, a business it in fact sold off in 1981; while Sketchley is certainly most famous for its chain of high-street dry-cleaning businesses.

So when Godfrey Davis made its £133m hostile offer for Sketchley yesterday there was naturally some initial confusion as to what the offer was all about. On closer inspection, however, the rationale became more clear.

Since the merger in 1987 of the original Godfrey Davis business with Sunlight Services Group, the cleaning and security concern, the enlarged company has tilted its businesses towards the service sector and away from its motor-related interests.

Sunlight's management, which took control of the revamped Godfrey Davis in what was effectively a reverse takeover, has expanded its presence in commercial cleaning, laundry and security service markets while reducing its dependence on Godfrey Davis' original businesses of vehicle distribution, contract hire and portable building hire.

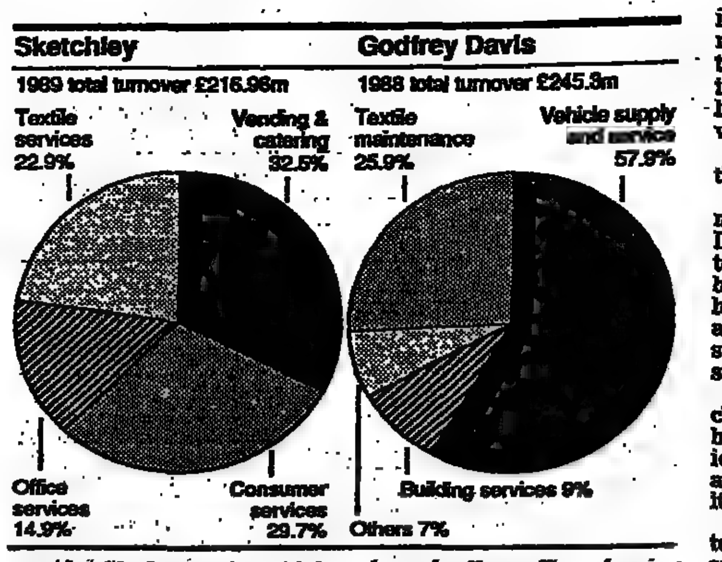
In August 1988, for example, it paid £44m for Falcon Industries, a portable building supplier and plastic garden pot manufacturer. And last year it expanded its interests in making and distributing workwear through the purchase of the Practical Uniform Company for an initial £5.6m and the Co-operative Laundries Society for £11.35m.

Moreover, Mr John Ivey, chief executive of Godfrey Davis, indicated yesterday that if the bid for Sketchley was successful the company would sell off its four Ford dealerships and contract hire fleet, leaving only the portable building hire activities from the original Godfrey Davis' business.

This would also have the effect of restoring Godfrey Davis' balance sheet which would be stretched by paying about £45m for the cash element of the offer. Mr George Boyle, finance director, said Godfrey Davis' gearing levels would rise to about 200 per cent if the acquisition went ahead but claimed that following the disposal of the group's motor-related businesses it would be brought down substantially below the current 90 per cent level.

The enlarged and restructured Godfrey Davis would then propose to concentrate its interests on five core activities: textile maintenance; consumer services; commercial cleaning; vending and catering; and site services.

The attractions of Sketchley for Godfrey Davis are therefore clear, for the addition of Sketchley's businesses would



considerably bolster its activities in several areas and help it to consolidate several fragmented markets.

Sketchley interests span:

● Consumer services with 500 dry-cleaning shops and 140 heel bars;
● Vending and catering services, including the manufacture, supply and servicing of vending machines;
● Textile services, embracing the manufacture and rental of workwear;
● Office services, involving Sketchley's Mellordata subsidiary which distributes and maintains computer peripherals and offers office cleaning services.

Although Godfrey Davis suggests it may dispose of the Mellordata business, the rest of Sketchley's activities seem to complement its own activities. Godfrey Davis estimates, for example, that the enlarged company would command about 10 per cent of the total workwear market (worth about £350m a year), and about 30 per cent of the workwear rental market, a sub-division of the former market which on its own is worth about £150m.

"Commercially, Sketchley fits in very well with our activities. We have the record to manage the business. We think that there is commercial logic in our offer and that their published record suggests they are vulnerable," Mr Ivey said.

However, Sketchley clearly thinks otherwise.

Mr Malcolm Glenn, its chairman, claimed that Godfrey Davis' unsolicited bid was totally inadequate and he hit back at Godfrey Davis for what he described as "a number of arbitrary and contentious statements about Sketchley's strategy and record".

He rejected Godfrey Davis' charge that Sketchley's record had been directionless and criticised Godfrey Davis' own approach in proposing to sell its motor interests.

He advised his shareholders to ignore Godfrey Davis' offer at present and promised to set out Sketchley's arguments in more detail in its defence document.

Analysts suggest, however, that Sketchley's days as an independent company seem numbered, given the company's own warnings about its current trading prospects and Mercury Asset Management's apparent eagerness to sell its 17.1 per cent stake.

As Mr Robert Morton, conglomerates analyst at Barclays de Zoete Wedd, said: "The main question now is whether a third party enters the picture."

Injunction against Electronics Graphics

By Raymond Snoddy

QUANTEL, the Carlton Communications subsidiary, yesterday obtained an injunction in its legal action against Electronics Graphics, the makers of Pastiche, an integrated 3D graphics system.

The injunction stops Electronics Graphics from manufacturing, marketing, selling or exporting Pastiche.

Quantel said Electronics Graphics admitted infringing patents on its Paintbox digital graphics system widely used by broadcasters but had claimed an abuse of monopoly.

Electronic Graphics is a subsidiary of a company owned by Mr Junaid Sheikh and Mr Mike Luckwell, both of whom used to have links with Carlton Communications.

Mr Sheikh was one of the three founders of Abekas Video, now a Carlton subsidiary, and Mr Luckwell was a former managing director of Carlton before resigning and selling his stake in the company for £25m.

Mr Sheikh yesterday promised a long hard fight and said his company would probably apply for a compulsory licence to allow continued manufacture of Pastiche in the UK. Mr Luckwell said Quantel's refusal " to consider a realistic licensing agreement is stifling innovation."

Quantel recently brought a case against the Avesco subsidiary Spaceward over their Matisse system and as a result Avesco dropped further legal proceedings and settled with Quantel.

Bromsgrove Inds

Bromsgrove Industries is to pay £2.25m in shares for Dawson Downie Lamont, a privately-owned pump manufacturer which made £263,000 pre-tax profits on £1.62m turnover in the year to end-March 1989.

The vendor is Gidney Securities.

Queens Moat DM37.5m buy

By Andrew Hill

QUEENS MOAT Houses, which is bidding for Norfolk Capital Group, a rival hotel company, has bought two West German hotels for DM37.5m (£13.2m).

The Ambassador Hotels, in Mönchengladbach and Ingolstadt, have a total of 250 bedrooms, as well as conference, restaurant and leisure facilities.

The group said yesterday it had also placed contracts to build, for DM34m, a new 167-bedroom hotel in the middle of Düsseldorf, where it owns two Holiday Inn Hotels, and was planning to build a 120-bedroom hotel in Lübeck, near the border with East Germany.

Both hotels should begin trading in 1991, according to the company, bringing the total number of Queens Moat hotels in West Germany to 31, out of a group total of 146.

Norfolk Capital is planning to issue its defence document, which is likely to include a valuation of its own properties, towards the end of this week.

It is apparently considering a number of defensive measures which could include spinning off its St James's Clubs, in Los Angeles, Paris and London, into a separate company.

The Queens Moat all-share bid, worth 42p per share at yesterday's closing prices, will end on February 26 and will not be raised unless a competing bid emerges. Norfolk's shares yesterday closed down ½p at 42p.

Restructuring planned at Fitch RS

By Andrew Hill

FITCH RS, which made its name in the late 1970s as a retail designer, is to lay off 25 of its London staff following a downturn in High Street refurbishment business.

The architecture and design consultancy is expected to announce the redundancies today. They are mainly from the retail operation and would represent about 4.5 per cent of the group's entire staff of 550. A number of other employees have been moved elsewhere within Fitch.

However, the consultancy is also intending to establish a new management structure and strengthen its board in preparation for further organic growth internationally.

Fitch is likely to create four divisions below the main board – architecture, product development, corporate identity and retail. The move follows a report from a management consultancy, brought in last September when Fitch realised the economic climate would make it difficult to expand its international operations further by acquisition.

The restructuring will cut out an intermediate tier of management handling European and North American operations. All projects worldwide will now be co-ordinated by the separate divisions. For example, RichardsonSmith, Fitch's US subsidiary, will direct European product development contracts, because of its strength in that discipline.

Fitch, which wants to grow its operations in Spain, West Germany and the US, is also going to enlarge the main board with internal appointments.

Mr Max Frost will become finance directer and Mr Rune Gustafson will have responsibility for client servicing. Mr Giles Marking and Mr Graham Cartledge will join the board from the retail and architecture divisions respectively.

Murray Johnstone launches new investment fund

By Philip Coggan

A NEW investment fund, specialising in non-Japanese Asian stock markets, has been launched by Murray Johnstone, the fund management group.

The Jersey-based closed-end Scottish Asian Investment Company is raising $35m (£20.6m) in a placing organised by Hoare Govett.

Single country Asian funds have been popular in recent years, helped by the buoyant performance of emerging stock markets. The Taiwanese stock market, for example, has risen by 1,068 per cent since the start of 1987.

However, Murray Johnstone believes that the illiquidity of such stock markets means that it is more sensible to invest in a range of markets. "We aim to spot trends before individual country managers launch their funds" said Mr Peter Montgomery, a director.

The fund, which will aim for capital growth, will not pay dividends.

Hoare Govett has placed 3.5m shares at $10.50 apiece. The shares also carry warrants, on a one-for-five basis, with a seven year exercise period. The warrants entitle the holders to convert into ordinary shares at the placing price.

BLP sacks chairman over conflict of interests

By Andrew Hill

BLP GROUP has dismissed Mr John T Goodman as chairman and director of the laminates company after he allegedly failed to disclose to the board conflicts of interest over private investments he had made in two companies which buy raw materials from the group.

Other directors only found out about the chairman's investments in the latter part of last year. Since then BLP has been considering buying the two companies – Raven Furniture and Old Halls – as well as other companies in which Mr Goodman has invested, for a nominal sum.

However, it ended those discussions at the weekend because of the financial condition of Raven and Old Halls. BLP now believes it will be unable able to recover £150,000 its subsidiaries are owed by the two companies.

The group is considering taking legal action over the situation. Mr Goodman was unavailable yesterday to comment on the events leading up to his dismissal.


John Goodman (right) and other boardmembers: they discovered his investments late last year

The USM company will have to make a provision for £150,000 in its 1989 results, which have also been hit by a downturn in consumer spending. BLP said yesterday that trading conditions had continued to decline during the second half, although it seems unlikely that the group's profits will actually have slipped below the previous year's figure of £1.91m before tax when it announces the results in April.

However, BLP, which has already declared a 1.5p interim dividend, said it would be unlikely to match the 1988 full-year dividend of 3.6p per share. Its shares fell 33 per cent on the news, from 47p to 34p.

"It's unfortunate, but it's not a disaster," said Mr Malcolm Cohen, BLP's finance director who is to become acting chairman.

Mr Goodman has a controlling interest in both Raven and Old Halls, and invested in the companies in 1988 and in the middle of 1989 respectively.

BLP, which is quoted on the USM and only appointed Mr Goodman as chairman last summer, has ended his service contract without compensation claiming there had been "a number of significant breaches" of the contract arising from his investments.

At the end of 1988 Mr Goodman was one of the group's largest shareholders, with a stake of some 6.7 per cent, although this was diluted with last April's £14.5m acquisition of Berg Group, a West German manufacturer of wrapped mouldings.

UK COMPANY NEWS

Chase private client business sold to B&C

By Sara Webb

STOCK GROUP, the stock broking arm of British & Commonwealth Holdings, has acquired Chase Manhattan's London-based private client stock broking business for an undisclosed sum.

Chase said its private client stockbroking business, which has £300m in funds under management, provided an unsatisfactory return on capital and no longer fitted in with its private banking strategy. It set up Chase Manhattan Securities in 1986, primarily for its institutional business, by merging two stock brokers – Simon & Coates, which concentrated on USM business, and Laurie Milbank, which was mainly a gilts trader.

John Gunn: chairman of British & Commonwealth

It admitted yesterday that the strategy had proved a mistake as the post-Big Bang stock market had failed to take off and live up to expectations in terms of the amount of business generated.

Mr Malcolm Wilde, managing director of British & Commonwealth Merchant Bank said:"This is a buyer's market. We got the two (Simon & Coates and Laurie Milbank) more cheaply than we would have in 1986."

The deal is expected to add new institutional business and help to build up Stock Group's client base and expertise in Europe. It leaves Stock with nearly £4bn in funds under management and an extra 2,000 clients to add to its existing core of 50,000 investors.

Stock's goal is to become the leading private client firm in the UK. In the past three years, it has acquired Stock Beech and Campbell Neill, both regional brokers, Hoare Govett's private client business and the private client team from Lazards.

It is eager to capture the lucrative "high net worth individual" with an average sum of £150,000 to invest.

Mr Angus Samuels, Stock chief executive, said: "We're aiming for the high value end of the market." He did not expect to witness a mass exodus as soon as clients were notified of yet another change in their stock broker's ownership. "Clients for the most part stay with the individuals they have been dealing with."

Its expansion contrasts with its parent's behaviour. B&C has been busy trying to sell Gartmore, its fund management group, and a 36 per cent stake in Celltech, the biotechnology group, in recent months.

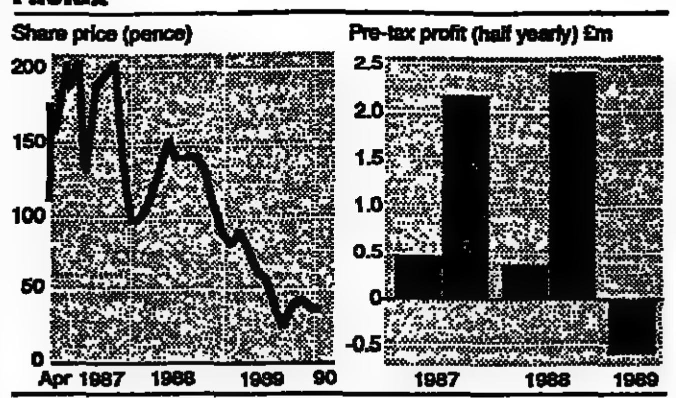
Filofax warns it'll be out of pocket

By Vanessa Houlder

YESTERDAY, IT was Filofax's turn to be the fashion victim.

The personal organiser company, which was once the symbol of upward mobility, saw its value spiral further downwards when it warned it would stay in loss in the second half of 1989.

The shares which were valued at 120p when they floated close to the height of the 1987 bull market, fell 2p to 36p.



Filofax, which blames this latest blow on disappointing Christmas sales, may feel that its problems are no worse than other retailers. However, the company has always attracted attention from the media out of any proportion to its size.

It summed up the aspirations of the 1980s when the pursuit of being conspicuously affluent, busy and trendy merited an ostentatious method of filling addresses, appointments and contacts.

So great was the hype attracted by Filofax that sales rocketed from less than £100,000 in 1980 to more than £12m in 1987. It was an extraordinary new lease of life for a product that had been around for more than 50 years.

But this meteoric growth was a hard act to follow when Filofax joined the market in April 1987. The record of one-product companies – particularly those that could be undermined by cut-price competition or a change in fashion – is not a good one.

Competition duly arrived, and thanks to rivals like WH Smith, Filofax's UK market share has dropped substantially to 55 per cent. Competitors have also blunted overseas sales which account for 46 per cent of the total. In Japan, there are dozens of rival makers of Filofax and price competition is "horrendous", according to Mr David Collischon, chairman.

Filofaxes have also become increasingly unfashionable as the style gurus of the Sunday supplements shun the ambitious, materialistic values they once so enthusiastically espoused. However, Mr Collischon denies that ambitious, well-heeled careerists are deserting his product. "All the research shows they are being a bit irritated by being labelled yuppies. But having become a user they become addicted."

Nonetheless, Filofax has recognised the need to broaden the market. It is now trying to appeal to busy housewives and mothers, who are being courted by a £500,000 "The answer is Filofax" campaign in the popular press.

This flirtation with advertising is a new departure for Filofax.

For years, it could rely on journalists to spread the word. "We didn't advertise because we didn't need to and we didn't dare. The demand would have been unbearable," says Mr Collischon. Now however, it has revamped its management team and is taking marketing far more seriously.

Filofax has also tried to diversify.

An experiment with briefcases (known in Filofax-speak as "paperwork organisation products") has not been totally satisfactory, Mr Collischon admits. "They are too much at the fashion end. They are not practical enough," he says. However the Yard-O-Led pens and pencil business is forging ahead, he says.

But the most important diversification comes from publishing increasing number of inserts - ranging from tube maps to GCSE crib sheets) for the personal organisers. Sales of these inserts, which now account for 55 per cent of the total, are "booming" says Mr Collischon.

Filofax is confident that it will bounce back this year. However, it is not clear that it necessarily sees its future as an independent company. "We would like to speed the marketing process and that costs money," says Mr Collischon, who owns 63 per cent of the company. "If the right sort of partner came along one would have to look seriously at it."

Norwich Union pays £342m for Girobank leasing operations

By David Barchard

NORWICH UNION, the insurance group, has bought Girobank's leasing operations from the Post Office for £342m.

The deal gives Norwich Union a combined leasing book of about £500m, an 80 per cent increase. Before the purchase, Norwich Union ranked eighth in the UK leasing industry, while Girobank was ninth.

"We are extremely pleased to have been able to buy Girobank's leasing operations." said Mr Adrian Gunson, general manager of Norwich Union's leasing subsidiaries.

The Post Office said there had been a large number of bidders for the Girobank leasing companies.

The deal has still to be approved by the Director-General of Fair Trading and the Department of Trade and Industry.

Girobank transferred its leasing business to the Post Office last summer after the Government selected Alliance & Leicester Building Society as purchaser in the Girobank privatisation. Building societies are not allowed to own leasing operations.

A spokesman for the Post Office said yesterday that he expected the purchase of Girobank by Alliance & Leicester would not now be completed until the spring.

The society had originally hoped that the sale would be completed by late last autumn, but the necessary orders have taken longer than expected to prepare and lay before Parliament.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- Bryant, Fleming Overseas Investment Trust.

Finals- Egerton Trust, Fleming Fledgeling Investment Trust, Reuters.

FUTURE DATES

Interims-	
AT Trust	Feb. 16
Everest Foods	Mar. 13
FII Group	Feb. 19
Kakuzi	Feb. 14
McAlpine (Alfred)	Feb. 27
TR City of London Trust	Feb. 28
Trace Computers	Feb. 15
Finals-	
ASEA	Mar. 20
ASW	Mar. 1
Amer	Apr. 11
Arncliffe	Feb. 21
Brooke Tool Engineering	Feb. 14
Caldwell Invs	Feb. 21
English & O'seas Props	Feb. 28
First Tokyo Index Trust	Feb. 21
Freeman	Mar. 1
TI	Mar. 8
Wartsila	Mar. 8
Yeoman Inv Trust	Feb. 15

Caparo expands US arm with $39m acquisition

By Andrew Hill

CAPARO INDUSTRIES, the engineering group, is expanding its US steel tubing operations by buying Bock Industries, which makes rectangular structural steel tubing, for $39m (£23m) including debt.

The acquisition is being made through Caparo's Bull Moose Tube Company subsidiary, which was bought in 1988. Caparo also has tubing interests in Canada.

The UK company is also going to reorganise the financing of its North American business, investing a further $5m of equity to add to its existing $16m investment in Bull Moose. The Bank of Nova Scotia is providing non-recourse medium-term and revolving credit facilities for the refinancing and the balance of the payment for Bock.

Caparo Industries is headed by Mr Swraj Paul. His private holding company, Caparo Group, which has a controlling stake in the quoted UK group, last year won a £96m hostile bid for Armstrong Equipment, the engineering company.

Mr Paul said yesterday that the Bock acquisition would give Caparo the ability to market a range of structural and mechanical steel tubing products throughout North America.

Bull Moose's products are limited to a maximum diameter of 3½ inches, whereas Bock can produce tubing with a cross-section of between ½ inch square and 12 inches square.

Bock, based in Indiana, made $5.4m before tax from continuing operations in the year to June 30 1989.

It had reported net assets of $10m at that date, although Caparo said yesterday that an independent valuation of the US group's net assets had indicated there was a significant surplus over their book value.

Mr James D Bock, the US group's main shareholder, has signed a consultancy agreement with Caparo and will receive a total fee of $1.7m over five years.

Mr Bock, his family and certain family trusts, will receive $32m in cash for their shares in the company, and Caparo is also taking on $7m of debt.

M and S connection pays dividends at Peter Black

By Clare Pearson

PETER BLACK Holdings, the Yorkshire-based supplier of footwear, toiletries and homeware which makes 60 per cent of its sales to Marks and Spencer, yesterday reported pre-tax profits 5 per cent ahead at £5.25m for the 26 weeks to December 2.

Mr Gordon Black, joint chairman, said he saw this as a very satisfactory outcome given the market conditions in the high street.

"It shows the benefit of being a supplier to a company like M and S," he said.

The toiletries, cosmetics and healthcare division was expanded towards the year-end with the purchase of English Grains, a manufacturer of own-label and branded over-the-counter healthcare and pharmaceutical products.

Bought for £12.8m, it is expected to add about £12m sales in a full year.

Within footwear, which accounts for about 50 per cent of sales, Mr Black said rationalisation and development of the UK manufacturing had so far balanced a downturn in sales of imported goods, caused by customer de-stocking.

Home furnishings – about 20 per cent of sales – was feeling the effects of higher interest rates on consumer spending.

Profits were scored on turnover virtually static at £73.46m (£73.74m).

Earnings per share were 6.92p (6.65p) and the interim dividend is lifted by 18 per cent to 0.77p (0.65p).

Stratagem puts stop to Colonnade liquidation

By Andrew Bolger

STRATAGEM GROUP, the investment company which has launched a hostile 163p cash bid for Colonnade Development Capital, said three institutions had sold it enough shares to block Colonnade's plan to liquidate the fund.

Colonnade, which rejected Stratagem's £8.24m offer as inadequate, had told shareholders that its proposed liquidation should provide 204p per ordinary share by the end of the year.

Mr Bernard Kerrison, Stratagem chairman, said yesterday that three institutions – Barings, Merseyside County Council and South Yorkshire County Council – had sold Stratagem a total of 852,000 Colonnade shares at 163p, bringing his company's stake in Colonnade to 25.03 per cent.

Stratagem will thus be able to deny Colonnade the approval it requires from holders of 75 per cent of the shares to make a capital repayment to shareholders of 99p per share, the maximum available for distribution. This would have been subject to approval by the courts.

Colonnade had said this cash payment would be followed by a liquidation and an expected payment to all shareholders of substantially all the remaining funds in the company before December 31.

UK COMPANY NEWS

HIGHVELD
STEEL AND VANADIUM CORPORATION LIMITED
(Incorporated in the Republic of South Africa) Registration No. 60/01900/06

Abridged Chairman's Review and Final Dividend Declaration

A RECORD YEAR

'The far-reaching announcements made by President de Klerk should lead ultimately to the lifting of sanctions and the re-opening of Highveld's steel markets in North America and the EEC.' Leslie Boyd

The group had an exceptional year, with both turnover and profit at their highest-ever levels. This achievement was brought about chiefly as a result of high export prices that prevailed during the first half of the year. One of the most pleasing aspects was the cash inflow which resulted in cash on hand of R319 million at the end of 1989 compared with borrowings of R54 million at December 31 1988.

Earnings per share increased to 450.0 cents compared with 170.6 cents in 1988. The attributable profit, including net interest of R31 512 000, was R322 440 000, after providing R43 175 000 depreciation, R192 800 000 normal tax payable in June 1990 and R50 810 000 deferred tax.

In view of the results achieved, the Board has decided to pay a normal final dividend of 40 cents per share and an extraordinary final dividend of 40 cents per share, making a total final dividend of 80 cents per share. For the year this makes a normal dividend of 70 cents per share and an extraordinary dividend of 60 cents per share and the total dividend of 130 cents per share compares with 57 cents in 1988. The extraordinary dividend relates to the high profits earned as a result of the exceptional export prices for certain of the group's products.

Steel
The upward trend in total world apparent steel consumption recorded in 1987 and 1988 continued into the year under review and the estimate for 1989 of 791 million tons is some nine million tons higher than the 1988 record.

Strong support from Highveld's established export customers and a firm foundation in the local market enabled Highveld to continue operating at optimal capacity in the rolling mills and in the iron and steel plants, with both iron and steel production exceeding one million tons.

Vanadium
Early in the year, notwithstanding efforts by Highveld to assure consumers that the strong vanadium demand established in 1988 would be satisfied in 1989, consumers embarked on heavy buying programmes in excess of consumption. Consequently, market prices were pushed up to unprecedented levels. In the second quarter of 1989, for the first time ever, Highveld introduced a surcharge on the basic posted vanadium pentoxide price. By the middle of the year it became apparent that excess inventory of high value had been accumulated by both converters and consumers. Consumers then pursued a policy of reducing inventories and this resulted in a down-turn in price, a reduction of the surcharge in the third quarter and, finally, the elimination of the surcharge in the fourth quarter.

As a result, and despite overall consumption remaining at high levels, both primary producers and intermediate processors of vanadium materials experienced a significant reduction in sales for the second half of the year, necessitating production cutbacks.

A number of new sources of vanadium are being developed and there is no doubt that the surge in prices during 1988 and the first half of 1989 was a source of encouragement to potential new investors. It should, however, be borne in mind that the long-term development of the market for vanadium is likely to be dependent on a competitively-priced product offered by low-cost producers, together with sufficient spare capacity to meet the cyclical surges in demand.

The new rotary kiln, commissioned in the Vantra division at the end of the year, will provide lower-cost pentoxide and the roasters taken off-line in the second half of 1989, will be held in reserve to meet exceptional demand.

Ferro-alloys
After peaking in the first quarter of 1989, ferrosilicon prices in overseas markets dropped sharply through the remaining three quarters. This was due to the over-supply situation arising from previously idle capacity recommissioned in 1988.

Although no serious over-supply situation developed in respect of manganese alloys, the price fall in ferrosilicon impacted on the price of silicomanganese during the last quarter of the year. Nevertheless, production of silicomanganese at Transalloys continued at capacity to the year-end.

Rheem
Sales in the early part of the year were less buoyant than anticipated and this situation was aggravated by difficulties in the supply of steel and tinplate. By mid-year, however, the market had improved and the supply problems were largely overcome, allowing the year to end on a high note in most areas.

Manpower
The average number of employees in the group increased by 2.9 per cent from 7 379 in 1988 to 7 593 in 1989. Annual turnover per employee improved this year from R161 186 in 1988 to R212 560 (32 per cent).

Over the last two years relations between management and employees were constructive with no strikes or stay-aways. Once again it is pleasing to report that agreement was reached with all the unions involved for the group's 1989/90 house agreement on improved wages and other conditions of service. The agreement included the settlement of some long-outstanding disputes between Highveld and the National Union of Metal Workers of South Africa (NUMSA).

Last year, it was reported that Highveld continued to promote home-ownership. The main concern is to find affordable housing for the corporation's unskilled and semi-skilled employees. The high cost of land, registration fees and building costs make it difficult to achieve this objective. In conjunction with, and assistance from the South African Housing Trust, 100 houses have been constructed for sale to black employees and it is intended to continue with similar programmes in 1990.

The Group Areas Act remains a cause for concern to both the management and unions. It is vitally important that companies can employ, house and treat employees in accordance with their skills and ability rather than being bound by laws linked to race classification, which have no relevance in the workplace.

The availability of skilled and professional manpower is, of course, crucial to Highveld's long-term performance and growth. During 1989 the group trained some 330 apprentices and it is planned to increase this number to 400 in 1990. It is interesting to note that 16 per cent of the group's artisans are black, over 90 per cent of whom have been trained in-house. In addition, 103 university and technikon students in engineering disciplines are currently being sponsored.

Stakeholder Project
In the first quarter of 1989 the second offer of Anglo American Corporation shares was made and, of the total of 5 980 eligible employees, 90.3 per cent accepted. This compares with 78 per cent in 1988.

Capital Investment
Capital expenditure of R45 711 000 (1988: R179 367 000) was approved during the year.

A feasibility study is being conducted jointly with Samancor to examine the viability of a major stainless steel project. The indications from this work are encouraging and, with the study now nearing completion, a decision on the project is expected early in 1990.

Outlook
Following three years of growth in world apparent steel consumption, the International Iron and Steel Institute is forecasting a one per cent decrease in 1990 to the same level as 1988. The far-reaching announcements made by President de Klerk on the opening of parliament on February 2 1990 will not only have a positive impact on the South African economy, but should also lead ultimately to the lifting of sanctions and the re-opening of Highveld's steel markets in North America and the EEC. Overall, Highveld's earnings in 1990 will be significantly lower than the extraordinary results enjoyed in 1989, but are expected to be an improvement on those achieved in 1988.

General
Mr John Hall will be retiring as managing director of Highveld from March 31 1990. I would like to record Highveld's appreciation of his contribution to the group's affairs and, in particular, the part he played in bringing the technology of the Highveld process to commercial viability.

Mr Trevor Jones is appointed managing director effective March 31 1990.

CONSOLIDATED INCOME STATEMENT
The abridged audited consolidated income statement of the corporation and its subsidiaries for the year to December 31 1989 is as follows:

	1989 R000	1988 R000
Turnover	1 613 967	1 189 389
Profit before taxation	566 051	224 523
Taxation	243 611	103 054
Attributable profit	322 440	121 469
Extraordinary items	553	1 951
	321 887	119 518
Less: Interim dividend no. 30		
Normal: 30 cents per share		
Extraordinary: 20 cents per share		
Total: 50 cents per share		
(1988: no. 28 of 14 cents per share)	35 870	9 974
Provision for dividend no. 31 (final)		
Normal: 40 cents per share		
Extraordinary: 40 cents per share		
Total: 80 cents per share		
(1988: no. 29 (final) of 43 cents)	57 492	30 690
Retained profit for the year	228 525	78 854
Weighted average number of shares in issue during the year	71 647 889	71 197 180
Earnings per share (cents)	450.0	170.6
Dividend per share (cents)	130.0	57.0
Dividend cover	3.46	2.99

Registered Office:
Portion 29 of the farm
Schoongezicht
No. 308 JS
District Witbank
(P.O. Box 111, Witbank, 1035)
South Africa

Transfer Secretaries:
Consolidated Share
Registrars Limited
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051,
Marshalltown, 2107)

DECLARATION OF DIVIDEND NO. 31 (FINAL)
A total dividend no. 31 of 80 cents per share, being the final dividend in respect of the financial year to December 31 1989, has been declared payable on April 27 1990 to ordinary and 'S' ordinary shareholders registered in the books of the corporation at the close of business on March 16 1990. The total dividend consists of a normal dividend of 40 cents and an extraordinary dividend arising from exceptional export prices for certain of the corporation's products of 40 cents. This dividend, together with the interim dividend of 50 cents per share declared on August 2 1989, makes a total of 130 cents per share for the year.

The dividend is declared in the currency of the Republic of South Africa. Dividend warrants will be posted from the office of the transfer secretaries on or about April 26 1990.

Any change of address or dividend instruction to apply to this dividend must be received by the corporation's transfer secretaries not later than March 16 1990. Shareholders must, where necessary, have obtained the approval of the South African or any other exchange control authorities having jurisdiction in respect of such instructions.

The share transfer register and register of members will be closed from Saturday, March 17 to Saturday, March 31 1990, both days inclusive.

In terms of the Republic of South Africa Income Tax Act 1962, as amended, non-resident shareholders' tax will be deduced by the corporation from dividends payable to those shareholders whose addresses in the share register are outside the Republic. The effective rate of non-resident shareholders' tax is 15 per cent.

It is anticipated that the annual report will be posted to all registered shareholders on or about February 27 1990.

By order of the Board
H. Cochius – *Company Secretary*

Witbank
February 12 1990

Hartwell fires fresh shot against Jameel offer

By John Thornhill

HARTWELL, the Oxford-based motor group, yesterday fired another shot in its defence against the Jameel Group's hostile £151.3m bid with a profits forecast and a property revaluation.

The company predicted pre-tax profits for the year to February 28 1990 would grow by 19 per cent to £12.4m (£10.4m), and that the dividend would be lifted by 16 per cent to 3.6p.

Hartwells's property assets have been revalued at £124.8m, showing an increase of 28 per cent over book value.

The profits forecast – which includes a £1.2m benefit from reducing pension fund contributions – was considerably higher than analysts had previously suggested.

Most of the profits growth was forecast to come from the motor division, which now includes the Charles Clark and Ford & Slater dealerships.

Peter Huggins: figures revealed how meagre Jameel's offer was

Mr Peter Huggins, Hartwell chairman, said these figures revealed how meagre Jameel's offer really was.

Stripped of the value of Hartwell's property interests, he argued, the offer valued the company's motor and oil businesses at only 10.8 times earnings.

The Jameel Group hit back with the claim that, stripped of the pension fund contribution, Hartwell's fully diluted earnings per share were forecast to fall by 8 per cent to 7.8p (8.5p).

Mr Rupert Carington, chairman of Oakhill, through which the Jameel offer is being made, described the profit forecast as "unconvincing."

Hartwell's share price moved ahead 1p on the news to close at 142p. This compares with the 136p per share value of the Jameel offer.

Queensway holders vote in favour of refinancing

By Maggie Urry

SHAREHOLDERS in Lowndes Queensway, the furniture and carpet retailer, voted unanimously in favour of the group's £70m refinancing package at a special meeting.

The meeting lasted a bare three *minutes* with shareholders failing to take advantage of the opportunity to ask questions. Among those present at the meeting was Mr Trevor Spittle, deputy chairman of Great Universal Stores which has a stake in Queensway.

Mr Norman Ireland, who became chairman of the company at the close of the meeting, chaired the meeting and passed on apologies from Mr James Gulliver, the out-going chairman, for his absence.

The group will now go ahead with a £35m rights issue, on the basis of 218 new shares for every 100 shares. Analysts expect that few will be tempted to take up the rights priced at 5p, compared with yesterday's unchanged share price of 6p.

Expansion programme sees Asda credit rating downgraded

By Stephen Fidler, Euromarkets Correspondent

STANDARD & Poor's, the US rating agency, has downgraded the credit rating of Asda, the stores group. The group's commercial paper rating was lowered from A-1 to A-2.

The rating was placed under review last April, when Asda announced it was acquiring 62 Gateway outlets for £705m.

This acquisition came, S&P said, at a time when Asda was committed to new store development which was depleting its cash balances and leading to a build-up in debt. Although it has sold 34 stores and is leasing them back, this has reduced its financial flexibility by diminishing its asset base.

S&P said low consumer expenditure in the UK had "particularly affected Asda with its non-food interests."

The benefits of the store opening programme were not likely to be felt until the year ending April 1992. In the interim, Asda would be unable to meet its capital expenditure from internal sources and would thus have no surplus to reduce debt, the agency said.

Correction
British Vita

Libeltex, a Belgian subsidiary of the British Vita group, has bought one of the industrial divisions of Brinkhaus, the West German consumer products company. It has not bought the whole of Brinkhaus as was suggested in the headline of an article appearing in the Financial Times on January 30.

NEWS DIGEST

Essex Furniture up by 14%

IN ITS first set of results since joining the USM last October, Essex Furniture reported a 14 per cent rise in profits for the six months to December 31.

Mr Michael Franks, chairman, said that classic high quality furniture was one sector of the retail market which had remained stable – the company has recently added curtains and beds to its range.

On turnover which remained flat at £1.56m (£1.54m), taxable profits came out at £281,000 (£246,000). From earnings of 2.28p (2.26p) per share, a maiden interim dividend of 1p is declared.

Essex is looking into the possibilities of acquiring a small chain of two or three outlets to add to its existing five.

Howard Hldgs fall offset by plant hire

Increased turnover and profits from Howard Holdings' plant hire side helped to stem the downturn in group profits caused by lower margins in the housing market. Pre-tax profits for the six months to October 31 fell from £1.61m to £1.21m after sharply increased interest payments of £449,512 (£252,757).

Turnover for the period declined from £5.65m to £5.03m. Tax took £423,512 (£562,648) leaving earnings per 10p share of 3.1p (4.2p). The interim dividend is maintained at 0.6p.

Assets increase 66% at TR Pacific

TR Pacific Investment Trust yesterday announced a 66 per cent advance, from 60.12p to 99.97p, in the net asset value of its 5p ordinary shares at the December 31 year-end.

Directors said that the improvement had been achieved in spite of severe disruptions to the Hong Kong stock market, which had been hit by the suppression of the student uprising in June, and the attempted coup against the Aquino government, which had undermined the market in the Philippines.

Nevertheless revenues were significantly ahead of last year's at £1.6m (£1.05m), and after tax of £316,000 (£182,000) earnings per share came out at 0.524p (0.354p).

TR Pacific's policy is to pay a dividend not significantly greater than that required to maintain its investment trust status. Accordingly, the directors have recommended a final dividend of 0.25p compared with 0.2p last time.

Automagic declines to £35,000 midway

Automagic Holdings, which has interests in shoe repairs, key cutting and associated retail goods, suffered a sharp decline from £173,000 to £35,000 in pre-tax profits for the 24 weeks to October 14.

However, turnover at this USM-quoted company increased to £4.99m (£4.73m). Earnings fell to 0.4p (2p) per share, but the interim dividend is maintained at 2.25p.

Fairway (London) 70% ahead at £0.5m

Fairway (London), a USM-quoted supplier of business and computer stationery, returned taxable profits of £474,000 for the 12 months to end-December, an improvement of 70 per cent over the previous year's £279,000.

Turnover rose from £5.16m to £5.85m and earnings to 3.8p (2.7p). A final dividend of 1.75p makes a 2.75p (2.5p) total.

Net assets at First Spanish rise 31%

Net asset value per 50p share of the First Spanish Investment Trust stood at 102.5p at the end of the six-month period to November 30 1989. That represented a 31 per cent increase on the 78.3p at the corresponding date last time.

Total revenue for the half-year rose from £515,001 to £619,237 and after administration expenses of £278,981 (£294,306) pre-tax profits improved to £340,256 (£220,695).

Tax took £59,094 (£55,825) leaving earnings per share at 0.8p (0.47p).

Second Alliance assets static

Net asset value per ordinary share of the Second Alliance Trust amounted to £12.16 at January 31, a virtual standstill on the £12.05 figure of six months earlier.

Available revenue for the half year to end-January totalled £3.94m (£2.72m), equal to earnings of 16.81p (14.11p) per share.

The interim dividend is lifted to 11p (8p) and the directors expect to recommend a final of at least 20p.

Orchid Tech wilts to losses of $444,000

Orchid Technology, quoted on the USM, tumbled sharply into losses in the six months to December 31. From profits of $1.1m this California-based maker of microcomputer accessories declined to losses of $444,000 (£262,000).

Loss at Bear Brand despite interest

Bear Brand, the hosiery company which took over Leisure Investments group earlier this year in an all-paper bid, yesterday reported a loss of £271,000 before tax for 1989.

This came in spite of £559,000 of interest earned, and compared with a profit of £186,000 in the previous year.

Bear Brand said that the weather had made the hosiery market difficult, in addition to which distribution arrangements underwent certain changes. There is no dividend.

Wilton buys Cowan de Groot stake

Mr Jonathan Samuelson's family trust has agreed to sell its 15 per cent stake in Cowan de Groot, the industrial holding group, two days after injunctions preventing a sale were lifted by the High Court.

The buyer is Wilton Group, the Third Market-traded property company run by Mr Michael Buckley, which is to pay 59p apiece for the 3.8m shares.

Last month, Wilton bought a 14.3 per cent stake in Cowan de Groot and this latest purchase will bring its total holding to 29.89 per cent.

Hartley Baird rises to £408,000

Hartley Baird, the electric motors and domestic appliances maker which joined the Third Market last November, announced pre-tax profits of £407,853 for the six months to October 31 1989 against £402,619 last time.

An interim dividend of 0.25p is declared from earnings of 2.08p (1.97p) per share. Turnover rose to £5.63m (£4.17m).

Slide to £105,000 at Abingworth

Abingworth, the high technology venture capital group which plans to liquidate by autumn 1991, suffered a slide from £166,000 to £105,000 in pre-tax profits for the six months to end-December.

However, net asset value rose 14 per cent from the 314p at December 31 1988 to the 358p of a year later.

Earnings slipped to 0.25p (0.6p) per share and there is again no interim dividend.

Honeysuckle sharply down at £294,000

Market conditions did not favour Honeysuckle Group, the USM-quoted designer and supplier of ladies' fashion separates, which saw profits tumble in the six months to November 30.

At the taxable level, profits dropped from £1.59m to £294,000, though turnover was lifted to £10.79m (£10.07m). Earnings were reduced to 2.4p (12.7p) and the interim dividend is omitted (2p).

Geevor lifts Costa Rica gold stake

Geevor, the acquisitive UK mining group, has raised its holding in a gold project in Costa Rica from 38 per cent to 75.25 per cent by the issue of shares worth £1.56m.

The 1.95m Geevor shares were issued at 80p each to Nor-Quest Resources, a Vancouver-quoted company which Geevor has been managing for more than two years.

Consequently, Nor-Quest's share of Geevor's enlarged capital rises from 8 per cent to about 8.3 per cent.

The Royal Bank of Scotland Group plc

$200,000,000
FLOATING RATE NOTES 2005

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 9th February 1990 to 9th May 1990, the Notes will bear a Rate of Interest of 15 3/16% per annum. The amount of interest payable on 9th May 1990 will be £185.18 per £5,000 Note, and £1851.63 per £50,000 Note.

AGENT BANK: CHARTERHOUSE BANK LIMITED
A member of The Securities Association
CHARTERHOUSE

Notice of Early Redemption
U.S. $60,000,000
The Ministry of Finance of
The Kingdom of Thailand
Floating Rate Notes due 2005

Notice is hereby given in accordance with Condition 4(c) of the Terms and Conditions of the Notes, that all outstanding Notes will be redeemed at their principal amount on March 28, 1990 when interest on the Notes will cease to accrue. Payment of Principal together with payment of interest in respect of Coupon No. 10 will be made in accordance with Condition 5 of the Terms and Conditions of the Notes, at the offices of any of the Paying Agents who continue to be listed in the Terms and Conditions of the Notes.

By: The Chase Manhattan Bank, N.A.
London, Fiscal Agent
February 13, 1990
CHASE

CAL
MEMBER AFBD
FT-SE 100
Where next?-
Call for our current views
CAL Futures Ltd
Windsor House
50 Victoria Street
London
SW1H 0NW
Tel: 01-799 2233
Fax: 01-799 1321

A copy of this document, which comprises listing particulars in relation to Martin Currie European Investment Trust p.l.c. ("the Company") given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in Edinburgh for registration in accordance with Section 149 of that Act.

Application has been made to the Council of The Stock Exchange for all the Ordinary Shares and Warrants of the Company issued and now being issued to be admitted to the Official List. It is expected that the Ordinary Shares and Warrants will be admitted to the Official List, and that dealings in the Ordinary Shares (with Warrants attached) will commence on Wednesday 28th February 1990, and that dealings in the Ordinary Shares and Warrants separately will commence on Tuesday 20th March 1990.

The Directors of the Company, whose names appear under "Directors, Managers and Advisers", accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

MARTIN CURRIE EUROPEAN INVESTMENT TRUST p.l.c.

(Incorporated in Scotland under the Companies Act 1985 Registered number 122415)

Offer for Subscription

sponsored and underwritten by

ALLIED PROVINCIAL SECURITIES LIMITED

of

23,000,000 Ordinary Shares of 50p each (with Warrants attached) at 100p per share payable in full on application

The Directors are aware of firm commitments to make applications for Ordinary Shares (with Warrants attached) representing 75 per cent. of the Offer. Such applications will be accepted in full.

The Application List for the Ordinary Shares (with Warrants attached) now being offered for subscription will open at 10.00 a.m. on Tuesday 20th February 1990 and may be closed at any time thereafter. The Procedure for Application and an Application Form are set out at the end of this document.

SHARE CAPITAL

Authorised		Issued and to be issued fully paid
£30,000,000	in Ordinary Shares of 50p each	£11,500,000

In addition to the ordinary share capital issued in connection with the Offer, 4,600,000 Ordinary Shares are being reserved for issue upon the exercise of the Warrants.

The Ordinary Shares and the Warrants will be issued in multiples of five Ordinary Shares and one Warrant. Each Warrant confers the right to subscribe for one Ordinary Share at 100p per share on 31st August in any year from 1991 to 1998 inclusive.

INDEBTEDNESS

At the date of this document, the Company has no loan capital (including term loans) outstanding, or created but unissued, nor any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptances or acceptance credits, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

DEFINITIONS

In this document the following words and expressions shall bear the following meanings, except where the context otherwise requires:

"Company"	Martin Currie European Investment Trust p.l.c.
"Martin Currie" or "the Managers"	Martin Currie Investment Management Limited
"Directors"	the Directors of the Company
"Ordinary Shares"	the Ordinary Shares of 50p each of the Company
"Warrants"	the Warrants to subscribe for Ordinary Shares
"Offer"	the offer for subscription of Ordinary Shares (with Warrants attached) contained in this document
"Offer Price"	100p per Ordinary Share
"Application Form"	the application form in respect of the Offer attached at the end of this document
"GNP"	Gross National Product
"UK"	United Kingdom
"USA"	United States of America
"USSR"	Union of Soviet Socialist Republics
"IMRO"	Investment Management Regulatory Organisation Limited
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited

DIRECTORS, MANAGERS AND ADVISERS

Directors	Luc Wauters (Belgian) Howard [illegible] Phillips (British) Michael John Gibson (British) Gianni Manca (Italian) all of 29 Charlotte Square Edinburgh EH2 4HA	
Investment Managers and Secretaries	Martin Currie Investment Management Limited 29 Charlotte Square Edinburgh EH2 4HA A member of IMRO	
Registered Office	29 Charlotte Square Edinburgh EH2 4HA	
Sponsor and Stockbroker	Allied Provincial Securities Limited 155 St Vincent Street Glasgow G2 5NN A member of The Securities Association	
Solicitors to the Company and to the Offer	Dundas & Wilson 25 Charlotte Square Edinburgh EH2 4EZ	
Solicitors to the Sponsor	Mackay Murray & Spens [illegible] St Vincent Street Glasgow [illegible]	
Auditors and Reporting Accountants	Coopers & Lybrand Deloitte the business name of Deloitte Haskins & Sells Chartered Accountants 25 Abercromby Place Edinburgh EH3 6QS	
Registrars and Transfer Office	Bank of Scotland Registrar Department 26A York Place Edinburgh EH1 3EY	
Receiving Bankers	Bank of Scotland New Issues Department Apex House 9 Haddington Place Edinburgh EH7 4AL	Bank of Scotland New Issues Department Second Floor Broad Street House 55 Old Broad Street London EC2P 2HL

PART I
SUMMARY

The following information is derived from, and should be read in conjunction with, the full text of this document:

The Company is a new investment trust established with the aim of pursuing long-term capital growth for its shareholders by investment in companies in Europe. It is intended primarily for private investors who wish to leave the timing and selection of investments to specialist managers in this field.

The Company has appointed Martin Currie to manage its portfolio. Martin Currie has considerable experience of investment in Europe and, at 31st December 1989, was responsible for the management of over £200 million of funds invested in the European markets (excluding funds under its management invested in the UK).

The Directors intend to invest initially in the markets of the European Community member countries, as well as those of Switzerland, Austria, Norway, Sweden, Finland and Turkey.

The Directors believe that considerable potential exists for capital appreciation in many European markets.

The Directors believe that an investment trust has certain attractive features: a fixed capital structure enabling long-term investment decisions to be made; the ability to invest in unquoted securities; and the ability to borrow to enhance capital growth.

The Company has entered into an agreement for a multicurrency loan facility with Robert Fleming & Co. Limited.

The dividend yield from European stockmarkets is low by UK standards and dividend policy will be secondary to that of capital growth. The Company may from time to time seek to retain some of its revenue to finance borrowings in pursuit of its objective of capital growth.

THE OFFER

The Company is now offering for subscription 23,000,000 Ordinary Shares (with Warrants attached) at 100p per share payable in full on application. The Offer has been fully underwritten by Allied Provincial Securities Limited. The persons to whom the Ordinary Shares are allotted will receive one Warrant in respect of every five Ordinary Shares. The Warrants will entitle holders to subscribe in respect of each Warrant for one Ordinary Share on 31st August in any of the years 1991 to 1998 inclusive at 100p per Ordinary Share.

OFFER STATISTICS

Number of Ordinary Shares in issue following the Offer	23,000,000
Number of Warrants in issue following the Offer	4,600,000
Offer Price per Ordinary Share	100p

The estimated net proceeds of the Offer are £22.06m and the estimated net asset value per Ordinary Share following the Offer (before the exercise of the Warrants) is 95.9p.

OUTLINE TIMETABLE

Latest time and date for receipt of applications	10.00 a.m. on Tuesday 20th February 1990
Basis of allocation expected to be announced by	10.00 a.m. on Wednesday 21st February 1990
Renounceable letters of allotment expected to be despatched on	Tuesday 27th February 1990
Dealings in the Ordinary Shares (with Warrants attached) expected to commence at	9.00 a.m. on Wednesday 28th February 1990
Dealings expected to commence in the Ordinary Shares and the Warrants separately	9.00 a.m. on Tuesday 20th March 1990
Last time for splitting of letters of allotment	2.00 p.m. on Tuesday 20th March 1990
Last time for registration of renunciation	3.00 p.m. on Thursday 22nd March 1990
Despatch of Ordinary Share certificates and Warrant certificates expected by	Monday [illegible] April 1990

INTRODUCTION

The Company is a new investment trust which will be listed on The Stock Exchange. Its aim will be to pursue long-term capital growth for its shareholders by investment in companies in Europe. It is intended primarily for private investors who wish to leave the timing and selection of investments to specialist managers in this field.

The Directors believe that considerable potential exists for capital appreciation in many European markets.

The Company has appointed Martin Currie to manage its portfolio within the investment guidelines laid down by the Directors. Martin Currie has considerable experience of investment in Europe and, at 31st December 1989 was responsible for the management of over £200 million of funds invested in Europe (excluding funds under its management invested in the UK).

EUROPEAN ECONOMIES AND STOCK MARKETS

The combined economies of Western Europe, including the UK, are, in terms of GNP, second in size only to the USA and are larger than Japan. West Germany, The Netherlands, Switzerland and, more recently, France have been able to combine continuous, if unspectacular, economic growth with rates of inflation that compare favourably with those in the UK. This lower inflation rate is one of the reasons for the appreciation of the Deutsche Mark, Dutch Guilder and Swiss Franc against the Pound Sterling over the last decade. In Southern Europe, control of inflation has been less successful but generally these countries are achieving good economic growth.

GNP

Per cent change on previous year in real terms

	1987	1988	1989 (estimated)	1990 (forecast)
West Germany	1.7	3.6	[illegible]	[illegible]
Switzerland	2.4	3.0	[illegible]	[illegible]
France	2.0	3.8	[illegible]	[illegible]
Netherlands	1.2	3.0	[illegible]	[illegible]
Spain	5.5	5.0	[illegible]	[illegible]
Italy	3.0	3.9	[illegible]	[illegible]
UK	4.2	4.5	[illegible]	[illegible]

(Source: James Capel European Economic [illegible])

INFLATION

Per cent change on previous year

	1987	1988	1989 (estimated)	1990 (forecast)
[illegible]	0.2	1.2	[illegible]	[illegible]
[illegible]	1.5	1.9	2.5	[illegible]
[illegible]	[illegible]	2.7	2.5	[illegible]
[illegible]	[illegible]	0.7	1.1	[illegible]
[illegible]	[illegible]	[illegible]	6.9	[illegible]
[illegible]	[illegible]	[illegible]	6.6	6.5
[illegible]	[illegible]	[illegible]	7.8	[illegible]

[illegible]

[illegible] stock market capitalisation [illegible] as a percentage of [illegible]:

Japan	145%
Hong Kong	118%
Switzerland	102%
UK	97%
South Africa	64%
USA	56%
Sweden	58%
Canada	51%
Australia	50%
Netherlands	46%
France	37%
West Germany	27%
Spain	26%
Italy	17%

(Source: Smith New Court Economic Research 2nd January 1990)

The Directors believe that one of the reasons for the relatively low equity capitalisation of European stockmarkets is that much of industry and commerce in Europe is in state ownership or under private family control. In common with the UK, several European governments are, to varying degrees, now withdrawing from direct involvement in companies and placing responsibility for industrial ownership and the provision of risk capital on the private sector. In addition, there is a growing trend for companies to develop and grow via a stock exchange listing for their shares which has not been the normal route in the past. The modernisation of stock exchange practices and the development of second markets (as in France) should facilitate this, and also encourage greater international investor involvement.

The next stage in the economic development of the European Community is the creation of the Single Market due to be in place by the end of 1992. This is expected to result in further liberalisation of trade and commerce and harmonisation of technical standards, making it easier for enterprising companies to gain access to markets within member states. The Directors believe that the "1992 effect" will give a stimulus to economic growth over and above that which would otherwise be achievable.

Another development which presents opportunities for the Western European economies is the political change which is starting to take place in Eastern Europe. The population of the USSR and its Eastern European neighbours, which at over 400 million is larger than either the European Community or the USA, makes this an enormous potential market. If this political change is accompanied by economic liberalisation, the opportunities for Western European companies should, in time, become much greater, although at this stage it is by no means certain that this change will proceed smoothly. West Germany, with its geographical proximity, its historical links with the East and the capital goods orientation of its manufacturing industry, seems particularly well placed to benefit.

The Directors believe that the combined effect of the above factors should increase the number of investment opportunities and encourage greater participation in European stockmarkets by local and international investors, which should favourably influence equity valuations.

INVESTMENT POLICY

The Company's aim will be to pursue long-term capital growth for its shareholders through investment in companies in Europe.

The Directors intend to invest initially in the markets of the European Community member countries as well as those of Switzerland, Austria, Norway, Sweden, Finland and Turkey. Other European countries, at present without recognised stock exchanges, may be considered as political and economic circumstances change.

Direct investment in some of the smaller stockmarkets may be difficult due to a relative lack of marketability in shares of the companies traded on these markets, and shares in managed funds may therefore be included in the portfolio in order to give the Company exposure to growth opportunities in these smaller stock markets. The Company is unlikely to invest in the securities of companies registered in the UK, except where their business is predominantly outside the UK and in Europe.

It is currently envisaged that the major part of the Company's portfolio will be invested in companies whose securities are quoted on a stock exchange or traded in over-the-counter markets. However, it is believed that there are good opportunities in Europe for making investments in well-established companies which are not quoted, and the policy will be to invest between 10 per cent. and 25 per cent. of the Company's assets in such securities.

Investments will normally be made in equity securities, but bonds may be considered from time to time when it is felt that advantage can be taken of changes in interest rate levels.

Since the investment objective will be to achieve capital growth rather than high immediate income or future growth of income, it is expected that the overall yield on the portfolio will be low.

The Directors intend, when appropriate, to fund part of the Company's activities through borrowings with a view to enhancing the Company's investment performance.

There are restrictions on the investment policy in accordance with the requirements of The Stock Exchange as set out in paragraph 8 of Part IV of this document.

DIRECTORS

The Directors of the Company, all of whom are non-executive, are:—

Luc Wauters, aged 63, a Belgian citizen, is Chairman of Algemene Maatschappij voor Nijverheidskrediet NV, a financial holding company and Chairman of Janssen Pharmaceutica N.V., a pharmaceutical manufacturing company. Both of these companies are based in Belgium.

Howard Philips, aged 49, is Chief Executive of Perkins Foods plc, a food manufacturing and distribution company whose activities are primarily in The Netherlands and in West Germany.

Michael Gibson, aged 40, is a Director of Martin Currie and head of its European Investment Team. He has been with Martin Currie, specialising in European investment, since 1983.

Gianni Manca, aged 65, an Italian citizen, is a partner in the law firm of Manca, Amenta, Biolato, Corrao & C. which has offices in Rome, Milan and Edinburgh. He is currently President of the Council of the Bars and Law Societies of the European Community.

INVESTMENT MANAGERS

The Company has entered into an Investment Management Agreement with Martin Currie. The Managers will receive a fee, payable quarterly in arrears, equal to 0.2 per cent. of the value of adjusted gross assets of the Company at the end of each quarterly period. The Agreement can be terminated by either party giving three years' notice. Further details of the Agreement are set out in paragraph 7(b) of Part IV of this document.

Martin Currie is a leading independent company of investment managers based in Edinburgh, which was originally formed in 1881 as a partnership of Chartered Accountants. In common with several other professional firms in Scotland around that time, the partnership became involved in investment management in both overseas and domestic markets and from 1958 engaged solely in the management and administration of investment funds.

At 31st December 1989, funds under management by Martin Currie were approximately £2,665 million and included the assets of the following four investment trusts listed on The Stock Exchange:—

	Investment area	*Objective*	*Gross assets* £m
The Scottish Eastern Investment Trust p.l.c.	International	capital growth	544.7
Securities Trust of Scotland p.l.c.	International	income growth	299.4
St Andrew Trust p.l.c.	International smaller companies	capital growth	100.2
Martin Currie Pacific Trust p.l.c.	Far East	capital growth	42.0
			986.3

Martin Currie has extensive experience of investing directly in Europe. A specialist team, headed by Michael Gibson, maintains close contact with European capital markets through daily communication and frequent visits. Emphasis is also placed on personal visits to companies and financial institutions.

Martin Currie is the investment adviser to Martin Currie European Fund, an authorised unit trust, the objective of which is to achieve capital growth from investments in Continental Europe. At 2nd January 1990, this Fund was valued at approximately £[illegible] million, and for the three year period to that date was ranked, on an offer to bid basis by [illegible], in the top [illegible] of all authorised unit trusts specialising in investment in Europe. At that date [illegible] per cent. of its portfolio was invested in West Germany, 20 per cent. in France, [illegible] per cent. in The Netherlands and [illegible] per cent. in Spain, with the remainder in other European markets.

ADVANTAGES OF INVESTMENT TRUSTS

The Directors believe that investment trusts have certain attractive features:

- their fixed capital structure enables long-term investment decisions to be made without the risk of capital being withdrawn at short notice
- they have a comparative freedom to borrow which can enhance shareholders' returns
- they have the ability to invest in unquoted companies

In addition, approved investment trusts pay no corporation tax on any capital gains realised on their investments.

At the present time there are only a small number of approved investment trusts specialising in investment in Europe.

MULTICURRENCY FACILITY

The Company has entered into an agreement for a multicurrency loan facility with Robert Fleming & Co. Limited. This facility will allow the Company to borrow, in tranches and at interest rates and other terms to be agreed, up to £[illegible] million in one or more currencies, for periods of up to six months. This agreement will not restrict the Company's ability to borrow from other lenders.

DIVIDENDS

The yield on the stockmarkets in which the Company intends to invest is low by UK standards and it is likely that revenue and dividends will be small and liable to fluctuate. It is the intention of the Directors to build the revenue reserves of the Company to meet the costs of servicing any future borrowing rather than distributing to shareholders all available income. The Company is prohibited by its Articles of Association from making any distributions from its gains on realisation of investments.

Dividends will be distributed annually following the Annual General Meeting. It is anticipated that such payments will commence in 1991. Ordinary Shares issued on the exercise of the Warrants will rank for any dividends declared by reference to any record date falling after the date on which the Warrant is exercised.

DURATION OF THE COMPANY

The Directors consider it desirable that shareholders should have the opportunity from time to time to decide if they wish the Company to continue. Accordingly, unless an Ordinary Resolution is passed at the Annual General Meeting of the Company to be held in the year 2000 approving the continuance of the Company, the Directors will convene within three months thereafter an Extraordinary General Meeting at which a Special Resolution will be put to the shareholders to wind up the Company. In the event of the Company not being wound up, this procedure will be repeated at ten yearly intervals.

ACCOUNTING PERIOD

Accounts will be made up to the last day of April and the Company's first accounting period will end on 30th April 1991. It is expected that interim accounts will be issued in December each year in respect of the period to the end of October.

TAXATION

The Company

It is the intention of the Directors that the Company will conduct its affairs to enable it to seek the approval of the Inland Revenue to treat the Company as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. If such approval is granted, the Company will not be liable to UK taxation on its capital gains.

The Company will be liable to Corporation Tax on its income and, in terms of UK law and relevant double taxation treaties, eligible for relief in respect of tax payable under the law of territories outside the UK.

The Directors consider that the Company will not be a close company immediately following the offer now being made.

Shareholders and Warrantholders

Holders of Ordinary Shares or Warrants who are resident or ordinarily resident in the UK for tax purposes may be liable to taxation on capital gains arising on the disposal of their Ordinary Shares and/or Warrants.

The Directors have been advised that for the purposes of taxation of capital gains:—

(a) the cost of subscribing for Ordinary Shares (with Warrants attached) will be apportioned between the Ordinary Shares and the Warrants on the basis of their respective values at the date of allotment of the Ordinary Shares, and the relationship between their values is expected to be close to that between the Ordinary Shares and the Warrants on the date when they are first dealt in separately;

(b) under the provisions of the Capital Gains Tax Act 1979 the Warrants will not constitute "wasting assets" and on their disposal (a term which includes abandonment) the full cost of the Warrants, calculated as above, will be allowed in computing any gain or loss; and

(c) the exercise by a Warrantholder, of his right to subscribe for Ordinary Shares will not be treated as a disposal of the Warrants. For the purposes of computing any gain or loss on a disposal of such Ordinary Shares, the original cost of the Warrants will be added to the subscription price payable on exercise of the subscription rights.

Potential investors should consult their professional advisers on their tax position regarding the acquisition, holding and disposal of Ordinary Shares and Warrants.

RISK FACTORS

Prospective investors should be aware that the value of shares and the income derived from them can fluctuate. The Directors believe that the principal risks of investment in the Company are:

(a) the Company's prospects will be influenced by the economic conditions of the countries in which it invests, by movements in prices of the securities comprised in its portfolio and fluctuations in currency exchange rates;

(b) while the ability of the Company to fund part of its activities through borrowing may enhance shareholders' returns in a rising market, these borrowings can have a negative effect on overall performance in adverse market conditions;

(c) the Company's stated investment policy includes investment in unquoted companies and there is a risk that these investments may be difficult to realise; and

(d) warrants have the potential for higher capital appreciation than shares, but at the same time their market price is prone to increased volatility.

DETAILS OF THE OFFER

Ordinary Shares

The Company is now offering for subscription 23,000,000 Ordinary Shares (with Warrants attached) at 100p per share payable in full on application to raise £22.06 million after expenses. The Offer has been fully underwritten by Allied Provincial Securities Limited. The Ordinary Shares now being issued will rank in full for all dividends and other distributions declared, made or paid on the ordinary share capital of the Company.

Warrants

Under the Offer, 4,600,000 Warrants will be issued, in the proportion of one Warrant for every five Ordinary Shares subscribed, which will entitle holders to subscribe, in respect of each Warrant, for one Ordinary Share on 31st August in any of the years 1991 to 1998 inclusive at 100p per Ordinary Share. Particulars of the Warrants are set out in Part III of this document.

APPLICATION AND DEALINGS

The Procedure for Application and an Application Form can be found at the end of this document. *Applications must be for a minimum of 300 Ordinary Shares (with Warrants attached) or in multiples as* shown on the Procedure for Application and must be received by post or by hand at Bank of Scotland, New Issues Department, Apex House, 9 Haddington Place, Edinburgh EH7 4AL or Bank of Scotland, New Issues Department, Second Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL by not later than 10.00 a.m. on Tuesday 20th February 1990.

It is expected that the basis of allocation will be announced by 10.00 a.m. on Wednesday 21st February 1990 and that fully paid renounceable letters of allotment in respect of the Ordinary Shares (with Warrants attached) will be despatched on Tuesday 27th February 1990. Dealing in these Ordinary Shares (with Warrants attached) is expected to commence at 9.00 a.m. on Wednesday 28th February 1990. *Dealings prior to receipt of letter of allotment will be at the risk of the applicants.* A person dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all. Letters of allotment in respect of the Ordinary Shares (with Warrants attached) now being offered for subscription will be renounceable until 3.00 p.m. on Thursday 22nd March 1990. In the case of renunciation, the letter of allotment, duly completed in accordance with the instructions thereon, must be received by post or by hand at the Bank of Scotland, New Issues Department at either of the addresses stated in the preceding paragraph.

It is expected that dealings in the Ordinary Shares and Warrants separately will commence at 9.00 a.m. on Tuesday 20th March 1990. Pending despatch of the definitive certificates (which is expected to take place by 9th April 1990), transfers of Ordinary Shares and Warrants will be certified by the Registrars against delivery of the relevant letters of allotment.

PART II
ACCOUNTANTS' REPORT

The following is the text of a letter received from Coopers & Lybrand Deloitte (the business name of Deloitte Haskins & Sells), Reporting Accountants, to the Directors of the Company and the Directors of Allied Provincial Securities Limited:—

Coopers
&Lybrand
Deloitte

P.O. Box 90
25 Abercromby Place
Edinburgh
EH1 6QG

The Directors
Martin Currie European Investment Trust p.l.c.
29 Charlotte Square
Edinburgh
EH2 4HA

The Directors
Allied Provincial Securities Limited
155 St Vincent Street
Glasgow
G2 5NN

13 February [illegible]

Gentlemen

We report in connection with the listing particulars of Martin Currie European [illegible] Trust p.l.c. ("the Company") dated [illegible] February 1990.

The Company was incorporated on 17 January 1990. It has not yet commenced [illegible] made up no financial statements for presentation to members and no dividend has [illegible] paid.

Yours faithfully

Coopers & Lybrand Deloitte
Chartered Accountants

PART III
PARTICULARS OF THE WARRANTS

The Warrants were created by resolution of the Board of Directors of the Co[illegible] February 1990 and will be issued subject to and with the benefit of the following conditions:

1. Subscription Rights

(a) A registered holder ("Warrantholder") for the time being of a Warrant shall have rights [illegible] Rights") to subscribe in cash on each 31st August or, if such day is not a business day, the [illegible] business day ("Subscription Date") in any of the years 1991 to 1998 inclusive (or, if later, [illegible] such year 30 days after the date on which copies of the audited accounts of the Company [illegible] immediately preceding financial period are despatched to shareholders) for [illegible] any of the [illegible] Ordinary Shares of the Company specified in the Warrant [illegible] 100p per Ordinary Share ("Subscription Price") payable in full on subscription, provided [illegible] Company shall change its accounting reference date from 30th April [illegible] shall be substituted [illegible] August the date [illegible] 4 months after the new accounting reference [illegible]. The number and [illegible] Ordinary Shares [illegible] be subscribed and the Subscription Price shall be subject to adjustment [illegible] paragraph 2 below. The Warrants registered in a Warrantholder's name shall be [illegible] Certificate issued by the Company ("Warrant Certificate").

(b) In order to exercise the Subscription Rights in whole or in part, the Warrantholder must lodge the Warrant Certificate, having completed the notice of subscription thereon, at the office of the registrars ("Registrars") for the time being of the Company on or within 28 days prior to the relevant Subscription Date, accompanied by a remittance for the Subscription Price of the Ordinary Shares in respect of which the Subscription Rights are being exercised. Once lodged a notice of subscription shall be irrevocable save with the written consent of the Directors. Compliance must also be made with any statutory requirements for the time being applicable. The Subscription Rights shall not be exercisable in respect of a fraction of an Ordinary Share.

(c) Not earlier than 12 weeks nor later than 6 weeks before each Subscription Date the Company shall give notice to the Warrantholders reminding them of their Subscription Rights.

(d) Ordinary Shares issued pursuant to the exercise of Subscription Rights shall be allotted not later than 14 days after and with effect from the relevant Subscription Date and certificates in respect of such Ordinary Shares shall be despatched (at the risk of the persons entitled thereto) not later than 28 days after the relevant Subscription Date to the persons in whose names the Warrants are registered at the date of such exercise (and, if more than one, to one of them, which shall be sufficient despatch for all) or (subject as *provided by law) to such other persons as may be named in the form of nomination* available *for the purpose* from the Registrars (and, if more than one, to one of them, which shall be sufficient despatch for all). In the event of a partial exercise of the Subscription Rights evidenced by a Warrant Certificate, the Company shall at the same time issue for no payment a fresh Warrant Certificate in the name of the Warrantholder for any balance of his Subscription Rights remaining exercisable.

(e) Ordinary Shares allotted pursuant to the exercise of Subscription Rights shall not rank for any dividends or other distributions declared, made or paid by reference to a record date prior to the relevant Subscription Date but subject thereto shall rank in full for all dividends and (save insofar as an adjustment therefor pursuant to paragraph 2 below shall have already been made) other distributions thereafter declared, made or paid and otherwise *pari passu* in all respects with the Ordinary Shares in issue at that date.

(f) Application will be made to the Council of The Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of Subscription Rights to be admitted to the Official List and the Company shall use all reasonable endeavours to obtain the grant thereof not later than 14 days after the relevant Subscription Date.

(g) If, at any time, less than 25 per cent. of the Warrants originally issued by the Company remain outstanding, the Company shall be entitled, on giving not less than 14 days' notice in writing to the Warrantholders, to appoint a trustee who, provided that in his opinion the proceeds of sale after deduction of all costs and expenses incurred by him will exceed the Subscription Price, shall within the period of 14 days following the giving of such notice exercise such Subscription Rights as have not been exercised on the terms on which the same could have been exercised on the preceding Subscription Date and sell in the market the Ordinary Shares acquired on such subscription or accept any offer available to the Warrantholders for the purchase of the Warrants. The trustee shall distribute *pro rata* the proceeds less such Subscription Price and such other costs and expenses to the persons entitled thereto as soon as practicable after such sale, provided that entitlements of under £2 shall be retained for the benefit of the Company.

(h) Within 7 days following the final Subscription Date, the Company shall appoint a trustee who, within 14 days following that date, shall exercise such Subscription Rights as have not been exercised on the terms on which the same could have been exercised on the final Subscription Date and sell the Ordinary Shares acquired on such subscription, provided that the net proceeds of such sale exceed the Subscription Price, and distribute *pro rata* the net proceeds less the Subscription Price to the persons entitled thereto within 2 calendar months of the final Subscription Date, provided that entitlements of under £2 shall be retained for the benefit of the Company.

2. Adjustment of Subscription Rights

(a) After any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves to holders of the Ordinary Shares on the register on a date (or by reference to a record date) prior to the final Subscription Date or upon any sub-division or consolidation of the Ordinary Shares on or prior to such a date, the number and/or nominal value of Ordinary Shares to be subscribed on any subsequent exercise of the Subscription Rights shall be increased or, as the case may be, reduced in due proportion (fractions being ignored) and the Subscription Price will be adjusted accordingly. On any such capitalisation, sub-division or consolidation, the auditors ("Auditors") for the time being of the Company shall report upon the appropriate adjustments and, within 28 days thereof, notice will be sent to each Warrantholder together with a Warrant Certificate in respect of any additional shares for which the Warrantholder is entitled to subscribe in consequence of such adjustments.

(b) If, on a date (or by reference to a record date) on or before the final Subscription Date, the Company makes any offer or invitation (whether by rights issue or otherwise but not being an offer to which paragraph 3(f) below applies) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(g) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then Warrantholders as if their Subscription Rights had been exercisable and had been exercised on the day immediately preceding the record date of such offer or invitation on the terms on which the same could have been exercised on the last preceding Subscription Date (subject to any adjustment pursuant to paragraph 2(a) above) provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Warrantholders but the Subscription Price shall be adjusted (i) in the case of an offer of new Ordinary Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the Subscription Price in force immediately before such announcement by a fraction of which the numerator is the number of Ordinary Shares outstanding on the date of such announcement plus the number of Ordinary Shares which the aggregate of the amount (if any) payable for the rights and the amount payable for the total number of new Ordinary Shares comprised therein would purchase at such market price and the denominator is the number of Ordinary Shares outstanding on the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription; and (ii) in any other case, in such manner as the Auditors shall confirm to be appropriate. Any such adjustment shall become effective as at the record date for the offer or invitation. For the purposes of this proviso, "market price" shall mean the average of the mean of the quotations as derived from the Daily *Official List* of The Stock Exchange for one Ordinary Share for the 5 consecutive stock exchange dealing days ending on the stock exchange dealing day immediately preceding the day on which the market price is to be ascertained. The Company shall give notice to the Warrantholders within 28 days of any adjustment made pursuant to this sub-paragraph (b) and, if appropriate, despatch Warrant Certificates in the manner described in paragraph 2(a) above.

(c) If at any time an offer is made to all holders of Ordinary Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a General Meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Subscription Price payable on any subsequent exercise of the Subscription Rights in accordance with paragraph 3(g) but not otherwise shall be reduced by an amount determined by the Auditors in accordance with the following formula:

$$A = [B + C] - D$$

where:

A = the reduction in the Subscription Price;

B = the Subscription Price ruling immediately before the adjustment;

C = the average of the mean of the quotations as derived from the Daily Official List of The Stock Exchange for one Warrant for the 10 consecutive stock exchange dealing days ending on the stock exchange dealing day immediately preceding the date of the adjustment; and

D = the value (as determined by the Auditors) of the consideration per Ordinary Share offered to holders thereof by the offeror pursuant to the offer referred to above.

Provided that:

(i) the Auditors shall be entitled to make such further adjustments to the Subscription Price payable on any subsequent exercise of the Subscription Rights in accordance with paragraph 3(g) as they shall report to be appropriate to take account of the market value of the Warrants (which shall be deemed to be equal to the value provided by calculating "C" in the above formula), having regard, *inter alia*, to the time value of money; and

(ii) the Subscription Price shall not be adjusted so as to cause the Company to be obliged to issue Ordinary Shares at a discount and, if the application of the above formula would, in the absence of this sub-paragraph (ii), have reduced the Subscription Price to below the then par value of an Ordinary Share, the number of Ordinary Shares to be subscribed on any subsequent exercise of the Subscription Rights in accordance with paragraph 3(g) but not otherwise shall be adjusted in such manner as the Auditors shall report to be appropriate to achieve the same economic result for the Warrantholders as if the Subscription [illegible] without regard to this sub-paragraph (ii).

[illegible]

4. [illegible] of Rights

All or any of the rights for the time being [illegible] Warrants may from time to time (whether or not the Company is being wound up) [illegible] with the sanction of an extraordinary resolution of the Warrantholders. All [illegible] Association for the time being of the Company as to general meetings of the Company shall *mutatis mutandis* apply as though the Warrants were a class of shares forming part of the capital of the Company but so that (a) the necessary quorum shall be the holders (present in person or by proxy) entitled to acquire one-third in nominal amount of the Ordinary Shares attributable to such outstanding Warrants, (b) every Warrantholder present in person at any meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for every Ordinary Share for which he is [illegible], (c) any Warrantholder present in person or by proxy may demand or [illegible] and (d) if at any adjourned meeting [illegible] who are then present in person or by proxy [illegible].

5. Purchase

The Company and any subsidiary thereof shall have the right to purchase Warrants in the market or by tender available to all Warrantholders alike at any price or by private treaty at a price not more than 10 per cent. in excess of the middle market quotation as derived from the Daily Official List of The Stock Exchange for the Warrants at the close of business on the previous stock exchange dealing day. All Warrants so purchased shall forthwith be cancelled and shall not be available for reissue or resale.

6. Transfer

Each Warrant shall be in registered form and shall be transferable in whole or in part by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors of the Company. No transfer of a right to subscribe for a fraction of an Ordinary Share of the Company may be effected. Subject to the foregoing, the provisions of the Articles of Association for the time being of the Company relating to the registration, transfer and transmission of Ordinary Shares and the issue of certificates shall, *mutatis mutandis*, apply to the Warrants.

7. General

(a) The Company shall, concurrently with the issue of the same to the holders of Ordinary Shares, send to each Warrantholder (or in the case of joint holders to the first-named) a copy of each published annual report and accounts of the Company, together with all documents required by law to be annexed thereto, and copies of every statement, notice or circular issued to the holders of Ordinary Shares.

(b) For the purpose of these Particulars, "business day" means a day on which banks in Scotland are open for business and "extraordinary resolution" means a resolution proposed at a meeting of the Warrantholders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or a poll.

(c) If any of the events referred to in paragraphs 2(b), 3(f), 3(g) and 3(h) above shall occur prior to the first Subscription Date, the paragraph concerned shall be read and construed in relation to that event as if the words "first Subscription Date" were substituted for the words "last preceding Subscription Date".

(d) Any determination or adjustment made pursuant to these Particulars by the Auditors shall be made by them as experts and not as arbitors and any such determination or adjustment made by them shall be final and binding on the Company and each of the Warrantholders.

PART IV
ADDITIONAL INFORMATION

1. Incorporation and Share Capital

(a) The Company was incorporated in Scotland under the Companies Act 1985 ("the Act") on 17th January 1990 (registered number 122415) as a public company limited by shares with an authorised share capital of £30,000,000 divided into 60,000,000 Ordinary Shares, of which two have been agreed to be taken by the subscribers of the Memorandum of Association, are nil paid and are included in the Offer. On 25th January 1990, a Special Resolution was passed at an Extraordinary General Meeting of the Company amending the Articles of Association of the Company.

(b) The Company has not carried on business or incurred borrowings pending the issue by the Registrar of Companies of a certificate under Section 117 of the Act enabling it to do business and exercise borrowing powers. The Company will give notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to Section 266 of the Act.

(c) Pursuant to the Company's Articles of Association

(i) the Directors are generally and unconditionally authorised for the purposes of Section 80 of the Act to allot relevant securities (within the meaning of that section) up to £19,999,999 in nominal amount. The authority expires on the date of the first Annual General Meeting of the Company. It may be previously revoked or varied by the Company in General Meeting. The Company may make an offer or agreement before the expiry of the authority which would or might require relevant securities to be allotted after the authority expires; and

(ii) the Directors are also empowered to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority referred to in paragraph (i) above as if Section 89(1) of the Act did not apply to the allotment.

(d) Following the Offer:

(i) the issued share capital of the Company will be £11,500,000 divided into 23,000,000 Ordinary Shares. There will remain authorised but unissued share capital divided into 37,000,000 Ordinary Shares, of which 4,600,000 are reserved for issue upon exercise in full of the Warrants; and

(ii) no material issue of shares (other than to shareholders *pro rata* to existing holdings) will be made within one year of the date of this document without the prior approval of the shareholders of the Company in General Meeting.

(e) Save as disclosed herein, since the date of its incorporation, no share or loan capital of the Company has been issued for cash or for a consideration other than cash and no such capital of the Company is now proposed to be issued, and, save as aforesaid, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.

(f) Other than in respect of the Warrants, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

(g) The Ordinary Shares and Warrants will be in registered form.

2. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business, in all its branches and in any part of the world, of an investment trust company or investment company and holding company. The objects of the Company are set out in full in Clause IV of the Memorandum of Association which is available for inspection at the addresses specified in paragraph 10 below. The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

(a) Issue of Shares

Subject to the provisions of the Act relating to authority, pre-emption rights and otherwise and of any resolution of the Company in General Meeting passed pursuant thereto, all unissued shares in the Company are at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

(b) Variation of Rights

Special rights attached to any class of shares may, subject to the provisions of the Act, be varied or abrogated either with the consent in writing of the holders of three fourths of the issued shares of that class or with the sanction of an Extraordinary Resolution passed at a separate General Meeting of the holders of [illegible] of that class, but not otherwise. The quorum for such a class meeting is two persons at least [illegible] by proxy one third in nominal amount of the issued shares of the class.

(c) Alteration of Capital

[illegible]

(d) Transfer of Shares

[illegible]

(e) Voting Rights

[illegible] of such shares remains unpaid. A proxy need not be a member of the Company. An [illegible] appointing a proxy must be in writing and must be left at the place specified not less than 48 [illegible] appointed for the holding of the meeting.

(f) Directors

[illegible] Resolution of the Company, the minimum number of [illegible]

[illegible] not required [illegible] Company by way of qualification for office. A [illegible] is not a member of the Company is nevertheless entitled to receive notice of and [illegible]

[illegible] may [illegible] time to time appoint one or more of their body to be the holder of any [illegible] office or make any appointment of any of them of a Director conditional upon his accepting any [illegible] office on such terms and for such period as they may determine and, without prejudice to [illegible] of any contract between him and the Company may at any time revoke any such [illegible]

[illegible] ordinary remuneration of the Directors is not to exceed an aggregate amount of [illegible] per annum (or such other sum as may from time to time be determined by the Company in General Meeting). The Directors may also be paid all reasonable expenses incurred in or about the [illegible] of the Company. Any Director who is appointed to any executive office or who serves on any [illegible] or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the Directors [illegible] determine.

[illegible] Directors [illegible] other retirement, superannuation, death or disability benefits, annuities or other [illegible] of benefit to (i) any Director, ex-Director, officer or ex-officer of the Company or of any company which is a subsidiary of the Company or is allied to or associated [illegible] or any such subsidiary or to (ii) their husbands, wives, widowers, widows, [illegible] dependants and personal representatives.

(vi) Subject to [illegible], a Director may be a party to or interested in any contract or arrangement to which the Company is a party or in which the Company is in any way interested, and may hold any other office or place of profit (other than that of Auditor) under the Company or any other company in which the Company is in any way interested. A Director may act by himself or his firm in any professional capacity for the Company or any such other company, be remunerated therefor and retain for his own use and benefit any profits and advantages accruing to him. A Director may be a director or other officer or otherwise interested in any company promoted by the Company or in which the Company may be interested and, unless otherwise agreed, is not accountable to the Company or the members for any remuneration, profit or other benefit thereby received by him.

(vii) No person may be appointed or reappointed as a Director if he has attained the age of 67 years. A Director must vacate office at the conclusion of the Annual General Meeting immediately after he attains such age.

(viii) At the first Annual General Meeting all the Directors are to retire from office and at each Annual General Meeting thereafter each Director appointed to fill a casual vacancy and one third of the other Directors for the time being (or, if their number is not a multiple of three, the number nearest to, but not greater than, one third) are to retire from office.

(ix) A Director is not entitled to vote in respect of any contract or arrangement or any other proposal whatsoever in which he has a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director is not to be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. These restrictions are subject to exceptions set out in the Articles of Association (such as concerning the giving of securities in respect of obligations incurred by a Director for the benefit of the Company, or an offer for securities in which he is interested as underwriter) and the Company may by Ordinary Resolution suspend or relax the restrictions to any extent or ratify any transaction not duly authorised by reason of a contravention of such restriction.

(g) Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money, to pledge or grant any security over all or any part of its undertaking, property and uncalled capital and, subject to the Act, to issue debentures, debenture stock and other securities whether outright or as collateral security for any guarantee, debt, liability or obligation of the Company or of any third party. The Directors shall restrict the moneys borrowed by the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate principal amount (including any fixed or minimum premium payable on final repayment) at any one time outstanding in respect of all moneys borrowed (as defined) whether secured or not by the Company and its subsidiaries, if any, for the time being (other than from any of such companies) shall not at any time without the previous sanction of an Ordinary Resolution of the Company exceed two times the aggregate of (i) the amount paid up or credited as paid up on the issued share capital of the Company and (ii) the total of the capital and revenue reserves of the Company and its subsidiaries (including the share premium account, capital redemption reserve, unrealised appreciation on investments and credit balance on revenue account) all as shown in the latest published audited balance sheet but after such adjustments and deductions as are specified in the relevant Article or, until such time as the first accounts are made up and audited, £20,000,000.

(h) Dividends

(i) The Company may by Ordinary Resolution declare dividends but no dividends are payable except out of the profits available for distribution or in excess of the amount recommended by the Directors.

(ii) Neither unrealised appreciation of investments or other assets nor realised profits arising from the sale or realisation of investments or other assets nor any other moneys in the nature of accretion to capital shall be available for distribution.

(iii) If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half yearly or other dates prescribed for the payment thereof and may also from time to time pay interim dividends on shares of any class on such amounts and on such dates and in respect of such periods as they think fit.

(iv) Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

(i) Capital Reserve

The Directors shall establish a Capital Reserve Fund ("the Fund") and shall credit thereto any capital appreciation realised on the sale or realisation of any investment or other capital asset for a consideration in excess of its book value, any capital profit and any unrealised appreciation of investments or other assets representing or in the nature of accretions to capital assets (including any sums resulting from the writing up of the book values of any capital assets). The Fund shall not be available for distribution as dividend but the Directors may debit thereto, in whole or in part, any depreciation of, or the improvement costs of, or any taxation arising on the disposal of or any deficit below book value arising on the disposal of, any capital asset or other capital loss and may use the Fund for such other capital purposes as they think fit.

(j) Untraced Shareholders

The Company shall be entitled to sell at the best price then reasonably obtainable the shares of a member or the shares to which a person is entitled by transmission on death or bankruptcy if, during a period of 12 years, at least three dividends have become payable in relation to such shares during those 12 years and no such dividend has been claimed and during such period of 12 years and within a further period of three months from the date of advertisements giving notice of its intention to sell such shares placed after the expiry of the period of 12 years the Company has received indication neither of the whereabouts nor the existence of such member or person. The Company shall be obliged to account to the former member or person entitled by transmission for the net proceeds of sale of such shares but no trust shall be created in respect of the debt and no interest shall be payable to account for any money earned on the net proceeds.

(k) Duration of the Company

The Directors shall procure that at the Annual General Meeting to be held in the year 2000, an Ordinary Resolution will be put to the members seeking their approval to the continuance of the Company. If this resolution is passed, a continuance resolution will be submitted to the Annual General Meeting to be held in the year 2010. On that resolution being passed, similar continuance resolutions will be submitted at intervals of 10 years to the appropriate Annual General Meetings. If a continuance resolution is defeated, the Directors must convene an Extraordinary General Meeting of the Company to be held within three months thereafter at which a Special Resolution will be put to the Meeting that the Company be wound-up voluntarily. If that Special Resolution is defeated, the Directors shall submit continuance resolutions to subsequent Annual General Meetings in accordance with the foregoing provisions.

(l) Restrictions on Transfer, Voting and the Right to Receive Dividends

The Articles of Association provide for disenfranchisement of shares which are subject of a notice under Part VI of the Companies Act 1985 (which allows the Company to request certain details concerning ownership of its shares) if the persons served with any such notice are in default in answering any such notice. In addition, the Articles of Association provide for the imposition of certain restrictions specified in the relevant Article (including restrictions on transferability of the shares concerned and on the right to receive dividends in addition to disenfranchisement) if such shares represent more than 0.25 per cent. of the class of shares concerned. Such restrictions will not be able to be imposed until the expiry of 28 days or 14 days for holdings of more than 0.25 per cent. of the class of shares concerned. Any such restrictions will remain in effect for so long as the default continues and will cease if the shares concerned are sold pursuant to a takeover offer to an unconnected third party or through The Stock Exchange.

3. Directors' and Other Interests

(a) The Directors, including their immediate families, have expressed an intention to make applications under the Offer for the numbers of Ordinary Shares (with Warrants attached) set out against their respective names below, and it is intended that these applications will be accepted in full:

	Number of Ordinary Shares	
	Beneficial	Non-Beneficial
L.V. Wauters	10,000	—
H.G. Phillips	5,000	—
G. Manca	3,000	—
M.J. Gibson	4,500	—

M.J. Gibson is the holder of one subscriber share in the Company. Save as aforesaid, no Director has any interest, beneficial or non-beneficial, in the present issued share capital of the Company.

(b) Immediately following the issue of Ordinary Shares (with Warrants attached) under the Offer, it is not expected that any person will hold 5 per cent. or more of the issued Ordinary Shares.

(c) There are no service contracts in existence between the Company and any of its Directors, nor is any such contract proposed.

(d) Michael Gibson is a director of Martin Currie and a shareholder in its holding company, Martin Currie Limited. Martin Currie will receive management fees pursuant to the Investment Management Agreement referred to in paragraph 7(b) below. Save as disclosed, none of the Directors has any interest in transactions which are or were unusual in their nature or conditions or significant to the business of the Company which have been effected by the Company since its incorporation.

(e) It is estimated that the aggregate emoluments of the Directors for the period from the date of incorporation of the Company to 30th April 1991 will not exceed £56,000.

4. Taxation of Dividends and Distributions

(a) The Company

Under current UK taxation legislation, no withholding tax will be deducted from dividends paid by the Company. The Company is generally required to make an advance payment of corporation tax (ACT) when a dividend is paid. The current ACT rate is 25/75ths of the dividend paid. Consequently, the ACT relating to any dividend currently equals 25 per cent. of the total of the cash dividend and the ACT. Subject to certain restrictions, ACT is available for offset against the Company's liability to corporation tax for the year of payment of the dividend and future years or, up to a maximum of six years, past years.

(b) UK Resident Shareholders

A UK resident individual shareholder receives, imputed to any cash dividend received, a tax credit, which, at current rates, is equal to 25/75ths of the dividend paid. The tax credit will satisfy in full a UK resident individual shareholder's liability to basic rate income tax on the dividend plus the tax credit, leaving such shareholder liable to higher rate income tax only (if appropriate). If the individual is not liable to income tax, the tax credit may be reclaimed, in whole or in part, from the Inland Revenue.

A UK resident corporate shareholder will not be liable to UK corporation tax on any dividend received and the dividend and associated tax credit will represent franked income in the hands of such a shareholder.

(c) Other Shareholders

Other shareholders in the Company who are not resident in the UK may be entitled to reclaim from the Inland Revenue a proportion of the tax credit relating to their dividends. Such entitlement will depend, in general, upon the provisions of any double taxation agreement or convention which exists between the UK and their country of residence. Non-UK resident shareholders may be subject to foreign taxation on dividend income in their country of residence. Any person who is not resident in the UK should consult his own tax adviser on the question of the double taxation provisions (if any) applying between his country of residence and the UK.

5. Stamp Duty and Stamp Duty Reserve Tax

(a) On the issue of a renounceable letter of allotment, no stamp duty or stamp duty reserve tax will be payable.

(b) A purchaser of rights to the Ordinary Shares (with Warrants attached) represented by a renounceable letter of allotment on or before the latest time for registration of renunciation will [illegible] stamp duty reserve tax at the rate of 50 pence per £100 or part thereof of the actual [illegible] such rights.

(c) The transfer on sale of a renounceable letter of allotment after the latest [illegible] renunciation will in general be subject to ad valorem [illegible] an unconditional [illegible] transfer the renounceable letter of allotment is not [illegible] stamped [illegible] stamp duty reserve tax) at the rate of 50 pence per [illegible] of the actual [illegible]

(d) No further stamp duty reserve tax will [illegible] of renounced [illegible] of allotment.

(e) Transfers of Ordinary Shares or Warrants will in [illegible] ad valorem [illegible] duty at the rate of 50 pence per £100 or part thereof of [illegible] actual consideration paid.

(f) In general, purchases by a market maker or [illegible] (in certain circumstances [illegible] subject to stamp duty reserve tax.

(g) The above comments are intended as a general guide to the current position [illegible] taxation position, potential investors should consult their professional advisers.

6. Underwriting Agreement

(a) Pursuant to an Underwriting Agreement dated 8th February 1990 among the Company, [illegible] Martin Currie and Allied Provincial Securities Limited ("Allied Provincial"), Allied Provincial [illegible] subject, *inter alia*, to the admission to the Official List of The Stock Exchange of the Ordinary [illegible] Warrants attached) on or before 7th March 1990 to procure subscribers or, failing which to [illegible] at the Offer Price for all of the Ordinary Shares (with Warrants attached) being offered.

(b) The Company will pay to Allied Provincial a commission of [illegible] the Offer Price in respect [illegible] Ordinary Shares (with Warrants attached). In addition, the Company will pay:

(i) commission of 1¼% of the Offer Price for Ordinary Shares (with Warrants attached) which have been the subject of a firm commitment to the Company [illegible] such Ordinary Shares; and

(ii) in respect of Ordinary Shares (with Warrants attached) for which firm commitments have not been received, sub-underwriting commission of 1¼% of the Offer Price for such Ordinary Shares and commission of 1% of the Offer Price for all Ordinary Shares allotted to intermediaries where the relevant Application Form is duly stamped by the relevant intermediaries to the extent that such intermediaries are not entitled to such sub-underwriting commission.

(c) The Underwriting Agreement contains certain warranties given by the Company, the Directors and the Managers and certain indemnities given by the Company and the Managers. The Underwriting Agreement may be rescinded by Allied Provincial in certain circumstances.

(d) The Underwriting Agreement provides that the Company shall pay all costs, charges and expenses (plus any VAT thereon) of and incidental to the Offer including all advertising, printing, distribution and publication costs, Stock Exchange fees and all accountancy, legal and other professional fees and expenses of the Offer.

7. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are or may be material:—

(a) Underwriting Agreement referred to in paragraph 6 above;

(b) Investment Management Agreement dated 8th February 1990 between the Company and Martin Currie whereby Martin Currie has agreed to act as investment managers and Secretaries to the Company for a quarterly fee payable in arrears equal to 0.2 per cent. of the value of the adjusted gross assets (as defined) of the Company at the end of each quarterly period. Martin Currie is at liberty to act as investment managers to any other person or persons. The Agreement contains provisions indemnifying Martin Currie against all costs, claims and demands incurred except where due to its negligence, wilful default or fraud. The Agreement is subject to termination by not less than three years' notice by either party subject to earlier termination as provided for therein. In the event of the Company wrongfully terminating the Agreement or Martin Currie being entitled to terminate the Agreement early as provided therein, Martin Currie will be entitled to compensation equal to three times the previous annual fee; and

(c) Facility Letter from Robert Fleming & Co. Limited dated 5th February 1990 and accepted on behalf of the Company on 8th February 1990 described in the section entitled "Multicurrency Facility" in Part I of this document.

8. Investment Information

(a) The Articles of Association of the Company do not limit the discretion of the Directors as regards investment policy.

(b) It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust set out in Section 842 of the Income and Corporation Taxes Act 1988 and, in addition, it will be their policy that:

(i) not more than 10 per cent. of the assets of the Company (before deducting borrowed money) will be lent to, or be applied in the acquisition of securities of, any one company (other than holdings in another investment trust which has been approved by the Inland Revenue or which would qualify for such approval but for the fact that it is not listed) including loans to or shares in any subsidiary of the Company. Any reciprocal or "back to back" loan arrangements will be ignored for this purpose; and

(ii) not more than 25 per cent. of the assets of the Company (before deducting borrowed money) will be applied in the acquisition of the aggregate of (A) securities not listed on any recognised stock exchange, and (B) holdings where the interest of the Company amounts to 20 per cent. or more of the aggregate of the equity capital (including any capital having an element of equity) of any one listed company (other than another company which has been approved as an investment by the Inland Revenue or which would qualify for such approval but for the fact it is not listed).

(c) The Company's income will be derived wholly or mainly from shares or other securities. Pending investment, the net proceeds of the issue will be held in the form of short dated government securities and bank deposits.

(d) The Directors intend that the investment policy set out in this document will, in accordance with the requirements of The Stock Exchange, be adhered to for at least three years following listing, unless a change is approved by the Company in general meeting.

9. General

(a) Martin Currie is the promoter of the Company. Save as disclosed herein, no amount or benefit has been paid or given to the promoter and none is intended to be paid or given.

(b) The Company is not engaged in any litigation or arbitration and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

(c) Coopers & Lybrand Deloitte have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their report set out in Part II in the form and context in which it is included.

(d) The principal place of business of the Company is at 29 Charlotte Square, Edinburgh EH2 4HA. The Company does not have, nor has it had since its incorporation, any employees, nor does it have any subsidiaries.

(e) The Offer Price represents a premium of 50p over the nominal value of 50p of each Ordinary Share.

(f) Save as disclosed herein, there has been no significant change in the financial or trading position of the Company since its incorporation.

(g) Allied Provincial Securities Limited, the underwriter of the Offer, is a member of The Securities Association and of The Stock Exchange.

(h) The Royal Bank of Scotland plc, 62/63 Threadneedle Street, London EC2R 8LA are the Company's bankers.

10. Documents for Inspection

Copies of the following documents will be available for inspection at the offices of Dundas & Wilson, C.S., 25 Charlotte Square, Edinburgh EH2 4EZ and at the offices of Allied Provincial Securities Limited, Shackleton House, 4 Battlebridge Lane, London SE1 2HY during normal business hours on any weekday (excluding Saturdays and public holidays) for 14 days after publication of this document:—

(a) the Memorandum and Articles of Association of the Company;

(b) the report of Coopers & Lybrand Deloitte and their written consent referred to above;

(c) the contracts specified under "Material Contracts" above; and

(d) these Listing Particulars.

Dated 12th February 1990

PART V
TERMS AND CONDITIONS OF APPLICATION

1. The contract created by the acceptance of applications in the manner herein set out will be conditional on the Underwriting Agreement referred to in paragraph 6 of Part IV of this document becoming unconditional and not being terminated in accordance with its terms and on admission of the Ordinary Shares and Warrants, issued and now being issued, to the Official List and such admission becoming effective in accordance with the rules of The Stock Exchange not later than 7th March 1990. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer Ordinary Shares (with Warrants attached) than the number applied for, the application moneys or the balance of the amount paid on application will be returned without interest by post at the risk of the applicant. In the meantime application moneys will be retained in a separate account by Bank of Scotland.

2. The Company reserves the right to present all cheques and bankers' drafts for payment on receipt and to retain letters of allotment and surplus application moneys pending clearance of the successful applicants' cheques and to reject any application in whole or in part.

3. By completing and delivering an Application Form you (as the applicant(s)):

(a) offer to subscribe for the number of Ordinary Shares (with Warrants) specified in your Application Form (or any smaller number for which the application is accepted) at 100p per Ordinary Share subject to the listing particulars referring to the Company dated 12th February 1990 ("the Listing Particulars"), these Terms and Conditions of Application and the Memorandum and Articles of Association of the Company;

(b) authorise Bank of Scotland to send a fully paid renounceable letter of allotment for the number of Ordinary Shares (with Warrants attached) for which your application is accepted, and/or a crossed cheque for any moneys returnable, by post to your address (or that of the first named applicant) as set out in your Application Form (or, to your financial adviser if instructed in your Application Form) and to procure that your name (together with the name(s) of any joint applicant) is placed on the Register of Members of the Company in respect of such Ordinary Shares and on the Register of Warrantholders in respect of such Warrants, the entitlement to which has not been effectively renounced;

(c) agree that, in consideration of the Company agreeing that it will not, prior to 22nd March 1990, offer any Ordinary Shares (with Warrants attached) to any person other than by means of the procedures set out in the Listing Particulars, your application may not be revoked until after 22nd March 1990 and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon despatch by post or delivery of your Application Form duly completed to any of the places specified in the Notes on How to Complete the Application Form;

(d) warrant that your remittance will be honoured on first presentation;

(e) agree that any letter of allotment and any moneys returnable to you may be retained pending clearance of your remittance and that such moneys will not bear interest;

(f) agree that all applications, acceptances of applications and contracts resulting therefrom will be governed by, and construed in accordance with, Scots law and that you submit to the jurisdiction of the Scottish courts;

(g) warrant that, if you sign the Application Form on behalf of another party or on behalf of a corporation, you have due authority to do so and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor where required by the Notes on How to Complete the Application Form;

(h) agree that, in respect of those Ordinary Shares (with Warrants attached) for which your application has been received and processed and not refused, acceptance of your application shall be constituted, at the discretion of the Company, either (i) by notice to The Stock Exchange of the basis of allocation (in which case such acceptance shall be on that basis) or (ii) notification of acceptance thereof to Bank of Scotland;

(i) agree that all documents in connection with the Offer and any returned moneys will be sent at your risk and may be sent by post to you at your address (or, in the case of joint applicants, the address of the first named applicant) as set out in the Application Form (or, to your financial adviser if instructed in your Application Form);

(j) agree that, having had the opportunity to read the Listing Particulars, you shall be deemed to have had notice of all information and representations concerning the Company contained herein;

(k) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in the Listing Particulars and you accordingly agree that no person responsible solely or jointly for the Listing Particulars or any part thereof will have any liability for any such other information or representation;

(l) confirm that you have reviewed the restrictions contained in paragraph 5 below and warrant as provided therein; and

(m) acknowledge that the Company may satisfy your application for Ordinary Shares by procuring the transfer to you of issued Ordinary Shares in the capital of the Company, but otherwise on the same terms as set out above.

4. No person receiving a copy of the Listing Particulars or an Application Form in any territory *other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should* he in any event use such Application Form unless in the relevant territory such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

5. *The Ordinary Shares and Warrants have not been and will not be registered under the United* States Securities Act of 1933 (as amended). The Ordinary Shares and Warrants may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or to any US Person. Persons subscribing for Ordinary Shares (with Warrants attached) (including renouncees submitting renounceable letters of allotment for registration) shall be deemed, and (unless the Company is satisfied that Ordinary Shares can be allotted without breach of United States securities laws) persons subscribing for Ordinary Shares in connection with the exercise of Warrants shall be required to represent and warrant to the Company that they are not US Persons and that they are not subscribing for such Ordinary Shares or Warrants for the account of any US Person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares or Warrants in the United States or to any US Person. As used herein, "United States" means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction and "US Person" means any person who is a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States or an estate or trust which is subject to United States federal income taxation regardless of the source of its income.

6. The basis of allocation will be determined by the Company. The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and/or scale down any application. The right is reserved to treat as valid any application not in all respects completed in accordance with the Notes on How to Complete the Application Form.

7. Save where the context requires otherwise, terms defined in the Listing Particulars bear the same meaning when used in these Terms and Conditions of Application and in the Application Form.

AVAILABILITY OF LISTING PARTICULARS

Copies of the Listing Particulars and Application Forms can be obtained during normal business hours up to and including 20th February 1990 from the following:

Martin Currie
29 Charlotte Square
Edinburgh
EH2 4HA

Bank of Scotland
New Issues Department
Apex House
9 Haddington Place
Edinburgh
EH7 4AL

Bank of Scotland
New Issues Department
Second Floor
Broad Street House
55 Old Broad Street
London EC2P 2HL

Allied Provincial Securities Limited
Shackleton House
4 Battlebridge Lane
London
SE1 2HY

Allied Provincial Securities Limited
155 St Vincent Street
Glasgow
G2 5NN

In addition, copies of the Listing Particulars can be obtained, by collection only, for two business days from the date hereof from The Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London EC2.

12th February 1990

PROCEDURE FOR APPLICATION
NOTES ON HOW TO COMPLETE THE APPLICATION FORM

ALL APPLICANTS SHOULD READ NOTES 1-5

1 Insert in Box 1 (in figures) the number of Ordinary Shares (with Warrants attached) for which you are applying.

Applications must be for a minimum of 300 Ordinary Shares (with Warrants attached).

After that, applications should be in multiples of 100 up to 1,000 shares.

Applications in excess of 1,000 shares should be in multiples of 500 shares.

2 Insert in Box 2 (in figures) the amount of your cheque or banker's draft.

This should be equal to the number of Ordinary Shares (with Warrants attached) for which you are applying multiplied by the Offer Price of 100p.

3 Insert the full name and address of the person applying for the shares in BLOCK CAPITALS in Box 3.

4 The applicant named in Box 3 must date and sign Box 4.

The Application Form may be signed by another person on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised to do so, but the power(s) of attorney (or a copy(ies) thereof duly certified by a solicitor) or form(s) of authority must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated. Any member of a Self-Regulating Organisation or Recognised Professional Body approved under the Financial Services Act 1986 who is signing Box 4 on behalf of another person need not submit a power of attorney but must complete Box 8.

5 You must pin a single cheque or banker's draft payable to "Bank of Scotland" for the amount payable on application inserted in Box 2 and should be crossed "Not Negotiable".

No receipt will be issued for this payment, which must be solely for this application.

Your cheque or banker's draft must be drawn in Sterling on an account at a branch (which must be in the UK, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for the member of those Clearing Houses and must bear the appropriate sorting code number in the top right-hand corner.

An application may be accompanied by a cheque drawn by a person other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person named in Box 3.

A separate cheque or banker's draft must accompany each application.

JOINT APPLICANTS SHOULD READ NOTE 6

6 You may apply jointly with up to three other persons. Boxes 3 and 4 must be completed by one applicant. All other persons who wish to join in the application must complete and sign Box 6.

Another person may sign on behalf of any joint applicant if that other person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor) must be enclosed for inspection.

Renounceable letters of allotment, cheques and other correspondence will be sent to the address in Box 3 unless otherwise indicated by completion of Box 7.

FINANCIAL ADVISERS SHOULD READ NOTES 7-8

7 Financial Advisers who wish the documents of title and returned cheques, if applicable, to be returned to themselves for safekeeping on behalf of their clients, and are so authorised, should ensure that Box 7 is completed and Box 8 is signed and dated.

8 Financial Advisers signing Box 4 on behalf of their clients or completing Box 7 should sign and date Box 8.

MARTIN CURRIE EUROPEAN INVESTMENT TRUST p.l.c.

OFFER FOR SUBSCRIPTION SPONSORED BY ALLIED PROVINCIAL SECURITIES LIMITED OF 28,000,000 ORDINARY SHARES (WITH WARRANTS ATTACHED) AT 100P PER SHARE PAYABLE IN FULL ON APPLICATION

APPLICATION FORM

IMPORTANT
BEFORE COMPLETING THIS FORM, YOU SHOULD READ THE ACCOMPANYING NOTES

ALL APPLICANTS MUST COMPLETE BOXES 1 TO 5

I/We offer to subscribe for [ ] Ordinary Shares (with Warrants attached) *see note 1* **1**
in Martin Currie European Investment Trust p.l.c. *on and subject to the Terms and Conditions of Application set out in the listing particulars dated 12th February 1990 and subject to the Memorandum and Articles of Association of the Company and I/We attach a cheque or banker's draft for the amount payable of*

£ *see note 2* **2**

PLEASE USE BLOCK CAPITALS

Mr, Mrs, Miss or Title	Forename(s) (in full)	*see note 3* **3**
Surname		
Address (in full)		
	Postcode	
Dated	Signature	*see note 4* **4**

PIN YOUR CHEQUE OR BANKER'S DRAFT FOR THE EXACT AMOUNT SHOWN IN BOX 2 MADE PAYABLE TO "BANK OF SCOTLAND" AND CROSSED "NOT NEGOTIABLE" **5**

BOX 6 MUST BE COMPLETED ONLY BY JOINT APPLICANT(S) (SEE NOTE 6)

PLEASE USE BLOCK CAPITALS

	Mr, Mrs, Miss or Title	Forename(s) (in full)	Surname	Signature **6**
2nd joint applicant				
3rd joint applicant				
4th joint applicant				

BOX 7 MUST ONLY BE COMPLETED IF DOCUMENTS OF TITLE ARE NOT TO BE SENT DIRECT TO THE PERSON DETAILED IN BOX 3

PLEASE USE BLOCK CAPITALS

Name	*see note 7* **7**
Address (in full)	
	Postcode

I hereby warrant that I am authorised under the Financial Services Act 1986, the rules and regulations of the Self-Regulating Organisation or Recognised Professional Body of which I am or my firm is a member and the terms of a customer agreement to sign this Application Form on behalf of the above mentioned person(s).

Dated	*see note 8* **8**
Signature	

FOR OFFICIAL USE ONLY

ALLOTMENT NUMBER	
SHARES ALLOTTED	

Intermediaries claiming commission should stamp both boxes below and note the SRO and Membership Number in both places.

Stamp of person claiming commission	Stamp of person claiming commission
SRO and Membership No.	SRO and Membership No. ....
FOR OFFICIAL USE ONLY	*FOR OFFICIAL USE ONLY*
Allotment No. Shares Allotted	Allotment No. Shares Allotted
Commission calculated	Commission calculated

INSTRUCTIONS FOR DELIVERY OF COMPLETED APPLICATION FORMS

Completed Application Forms should be sent by post or delivered by hand to Bank of Scotland, New Issues Department, Apex House, 9 Haddington Place, Edinburgh EH7 4AL or Bank of Scotland, New Issues Department, Second Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL to arrive, in each case, not later than 10.00 a.m. on Tuesday, 20th February 1990. If you post your Application Form, you are recommended to use first class post and allow at least two business days for delivery.

COMMODITIES AND AGRICULTURE

Bad news is no news for gold market bulls

Kenneth Gooding examines the change of sentiment that has lifted the price to a 14-month high

TO THE delight of precious metals traders, gold is showing the kind of price volatility they love – because volatility attracts more business.

After many months last year when gold drifted aimlessly downward in a narrow trading range of $1 to $2 a troy ounce and seemed to be going nowhere in particular, gold recently has been bouncing up and down by $5 to $10 an ounce a day.

This followed a jolting change in sentiment towards the end of last year. Now nearly all gold analysts and traders agree that the bear market ended then. They have a vested interest in promoting that idea, of course. One of the peculiarities of this very peculiar precious metal is that a rising price stimulates more, not less, buying as people rush in and attempt to benefit from the further price increase their buying will generate. And so on.

However, professionals in the gold market are divided about just how fast and how far the price will recover.

So far gold's performance has disappointed the raging bulls and added weight to arguments that there will be only a modest price improvement this year. Looking further ahead, however, the analysts suggest that the 1990s will be kinder to holders of gold than the 1980s were.

Anyone who bought gold in early 1980 at its historic peak of $870 an ounce will not have been pleased to see the price fall steadily to $360 in the autumn of last year. Recovery phases during the long fall were usually lukewarm and short-lived.

Then the price bounced off the bottom and in 11 weeks had broken through the $400 an ounce barrier again. It fell back for a while in January – there was one day, in fact, which saw bulls biting their nails when gold crashed by $6.50 in one afternoon to close below $400 – but at one point on February 5 it reached the highest level in 14 months: $425.50.

The bounce back seems to have resulted from uncertainties in world equity markets last October and November which made Japanese investors in particular very nervous. As Mr Michael Spriggs, precious metals analyst with Warburg Securities, points out: "People reach for their gold bars when they feel stock markets are due for another downward correction."

The upward surge was then helped by the gold producers, who had contributed heavily to the bear market by selling forward as soon as there was any short-term price recovery, when they responded to the steadily rising price by easing back their hedging programmes.

The market is also dominated by professionals who had gone short (sold gold they did not own in the expectation of picking it up later at lower prices) for most of 1989. When they saw the market had turned, they went long of the metal and this removed a hefty tonnage of gold from the market in a very short space of time.

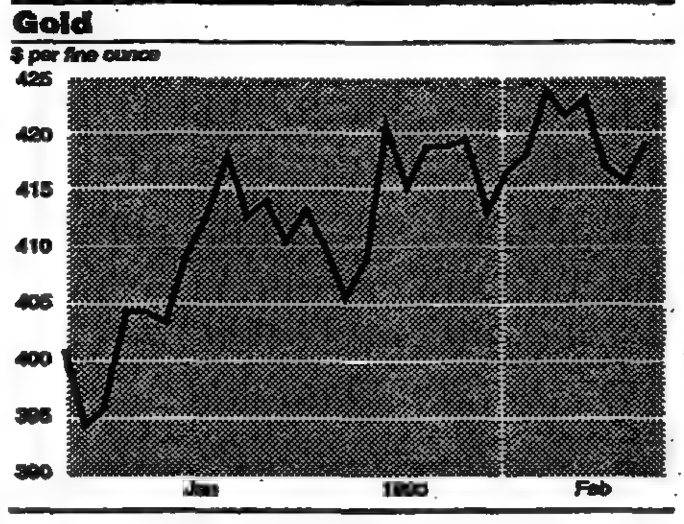
Once those factors had pushed up the price, a steadily weakening US dollar since the start of 1990 had the effect of holding it at the new, higher level.

What view should we take of events this year so far?

According to Mr Rob Weinberg of James Capel, who until recently was a considerable bear of gold, one determinant of a bull market is when bad news fails to depress prices or does so to only a limited degree.

Gold has demonstrated its bullishness in the past two weeks, says Mr Weinberg, by brushing aside such adverse factors as the suggestion by the chairman of the Federal Reserve that US interest rates would not be eased for some time; sweeping rumours that East Germany was planning to raise sorely needed capital by selling a substantial quantity of gold at a discount to the market price; and a proposal by the US Treasury that the International Monetary Fund should, once again, sell a substantial part of its gold hoard of 103m ounces or 3,200 tonnes.

In contrast, Mr Tim Petterson, analyst at Metals & Minerals Research Services, suggests that, if gold was on an aggressively bullish route, it would by now have passed $450 an ounce, buoyed up by continuing uncertainties about equity markets; worries about Soviet sales drying up because of production difficulties and the possibility of that country taking some gold off the market as backing for some fancy debt instruments; and suggestions that political upheavals will lead to a cut in South Africa's output.



Confused? You are not the only one.

The gold market is extraordinarily difficult to predict because the metal is part commodity, part money. The market is influenced only partly by relatively simple balance of supply and demand calculations. It is also subject to a highly complex balance of sentiment – as the remarks of Mr Weinberg and Mr Petterson go to show.

Even reliable gold market statistics are not easily come by because the Soviet Union, the second largest producer, insists on keeping its activities secret.

However, according to Mr Jeffrey Nichols, managing director of American Precious Metals Advisors, total gold supplies last year reached a record 83m ounces having advanced from 48m in 1979. During the past five years the total available supply has grown at a whopping compound annual rate of 9.4 per cent. Mr Nichols says that this had a lot to do with the gold price decline.

During the second half of the 1980s, annual production from the western world's gold mines expanded by 16m ounces, from 37.4m in 1984 to 53.5m in 1989. "This gold rush, which occurred entirely outside of South Africa (still the world's biggest producer), reflected the substantial appreciation in the metal's price during the prior decade as well as the development of new and more advanced technologies for both the exploration and the mining of gold," he says.

Mr Nichols says that one of the principal reasons he is so bullish about the gold price is that gold supply will be on a plateau in the 1990s. "During the past decade growth in supply has been the driving force, pushing the gold price lower. During the 1990s growth in demand will be the catalyst, propelling the yellow metal's price higher."

If logic prevailed in the gold market, the price would not go much below $385 an ounce, at which level one quarter of the western world's mines operate at a loss, and would not go much above $450. At the latter level there is a deluge of forward selling by the producers while purchases by the jewellery fabricators, who account for more than half of gold consumption, dry up. Last year's low prices encouraged the jewellers to buy more gold than was produced by all the western world mines.

But sentiment is as important as logic and analysts agree that it would need a change of heart by North American and European investors to put real sparkle back into the gold market. While Far Eastern investors have never given up their love affair with the metal, Americans and Europeans seem to feel they have no need for the stuff.

Gold traditionally has been a "store of value". But today there are all manner of sophisticated instruments to protect investors from the ravages of inflation. In this electronic age the seriously rich can switch their wealth from one currency to another at the touch of a button. Interest rates are high. Why pay insurance and storage for a non-interest-bearing asset?

The answer, according to some analysts, is: if there is another nasty dose of rampant world-wide inflation.

For example, Ms Rhona O'Connell, precious metal analyst at Shearson Lehman Hutton, was only half-jesting recently, when she suggested that during the mid-1990s gold would shoot above $1,000 an ounce for the first time, sent spiralling upwards by an oil supply crisis about which we have already been getting warnings.

In the shorter term, the perplexities remain. As Mr Robin Plumbridge, chairman of Gold Fields of South Africa, suggests: "It is difficult to predict what will happen to the gold price at this stage. No one can be dogmatic. But it needs careful watching. We are moving into a different environment. The world will not be the same in the 1990s as it was in the past."

Coffee rallies above £600 a tonne

By David Blackwell

COFFEE PRICES broke out of their recent narrow trading range in London yesterday following Friday's rally in New York.

The New York arabica market was continuing to advance yesterday evening on continuing concern over dry weather in Brazil and talk that Mexico might have to cancel export commitments up to 150,000 bags.

However, London traders said that prices in London should have closed higher still, based on the New York gains. The May robusta contract on the London Futures and Options Exchange (Fox) closed at £608 a tonne – £51 a tonne above last week's 14-year low and the first time for a month it has been above £600 a tonne.

At the beginning of the month E.D. & F. Man, the London trade house, said there was a potential for rallies in the arabica markets, but that the New York market would have to move towards 85 cents a lb to indicate the start of an uptrend. On Friday, May arabica closed at 86.75 cents a lb; it was trading at more than 89 cents a lb by mid-day yesterday, New York time.

Roasters would start to rebuild stocks, Man said in its quarterly futures review, when the risk of price rises was deemed greater than the risk of holding stocks.

Florida's citrus estimate raised

THE US Department of Agriculture has raised its forecast of Florida's 1989-90 orange crop to 100m boxes, 9 per cent above January's forecast but 32 per cent below last year's, Reuter reports from Washington.

The overall US orange crop is predicted to be 159m boxes this year, 19 per cent less than in 1988-89, the USDA said in its February crop production report.

The Florida orange crop was hit hard by frost in December, which has boosted domestic prices.

The Labor Department said yesterday wholesale US food prices rose 2.1 per cent in January partly because of the late 1989 citrus freeze.

The department also forecast that Florida's frozen concentrated orange juice yield would be 1.29 gallons per box.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium	+6,675	to 93,150
Copper	−6,225	to 93,725
Lead	−1,900	to 16,025
Nickel	−222	to 6,708
Zinc	+675	to 71,725
Tin	+5	to 10,665

Papua New Guinea oil development proposed

By Chris Sherwell in Sydney

PAPUA NEW Guinea looks like becoming a commercial oil and gas producer within three years following news that a consortium has proved enough reserves to submit detailed proposals for development of the Iagifu-Hedinia field in the country's Highlands.

The news coincided with the revelation that another consortium had made the first petroleum discovery in an area near the Fly River port of Kiunga, further west. Both announcements were made at the country's first international petroleum conference, which started in Port Moresby yesterday.

The Iagifu-Hedinia prospect is the country's brightest, but has been difficult and expensive to prove for a consortium including Chevron of the US (25 per cent) as operator, British Petroleum (25 per cent) and a group of Australian companies – BHP, Oil Search, Ampol Exploration and Merlin Petroleum, part of the Bond group.

The consortium was due to apply for a development licence last November, but it won an extension to do more appraisal drilling. Yesterday Mr Rabbie Namaliu, the Prime Minister, said the Government would be calling for an application next month.

The consortium said in response that it would be replying by May and the aim was to win approval before the end of the year. Oil could be flowing by mid-1992 at the earliest, and almost certainly by 1993, massively boosting Papua New Guinea's government revenues and export earnings.

The project involves tapping now-proven oil reserves of 120m-140m barrels, winning landowners' support for a 274-km pipeline to the south-east, and transporting 150,000 barrels a day to a terminal about 40 km offshore in the Gulf of Papua. The overall cost has been put at US$850m.

Yesterday's other development was reported by Santos, the Australian oil and gas producer. It said its Elevala-1 well, being drilled by BP Petroleum Development under a farm-in agreement, had flowed gas and condensate, indicating a new field discovery.

Although further drilling will be required to evaluate the area's potential fully, the flow of 634 barrels a day of liquids is said to be encouraging. Assessment will also be easier than in the more complicated Iagifu-Hedinia area of the Highlands.

The country's other major petroleum project is the Hides gas prospect, also in the Highlands, which was discovered in 1987. Only one well was needed to prove reserves of a few billion cubic feet.

Scottish salmon farmers expect difficult year

By James Buxton, Scottish Correspondent

THE SCOTTISH salmon farming industry, which last year suffered a 30 per cent fall in prices and a number of bankruptcies, is expecting another difficult year in 1990 and is scaling back long-term expansion forecasts as a result.

Although the salmon farmers expect production this year to increase by 25 per cent to 35,000 tonnes, compared with last year's figure of 28,000 tonnes of salmon produced and sold, they are now predicting that the growth rate will slow down in 1991.

Mr Angus Morgan, chairman of the Scottish Salmon Board, said yesterday that the industry's production might reach 50,000 tonnes by the end of the 1990s – implying a much slower rate of growth than has been experienced up to now.

During 1989 salmon prices fell sharply because of unexpectedly large sales by Norway, which accounts for about two-thirds of European farmed salmon production. The European Commission is to investigate claims by Scottish and Irish salmon farmers that Norway has been dumping fish on the European Community market.

Early this year Norway introduced a scheme to freeze up to 40,000 tonnes of its projected output this year of 150,000 tonnes in an effort to restore credibility to its price system. It is also imposing a levy on exported fresh salmon to help finance the freezing operation.

Although prices have firmed up slightly in the past few weeks Scottish producers are cautious about predicting the full effects of the Norwegian measures.

Mr William Crowe, chief executive of the Scottish Salmon Board, the producers' organisation, said that seven Scottish salmon farming companies out of a total of about 105 had failed last year. But most of their activities had been taken over by other companies and the farms concerned had not necessarily disappeared.

Apart from the present difficulties of the market, compounded by high interest rates, the growth of the industry is increasingly being constrained by the shortage of permissible sites for new fish farms on the west coast of Scotland.

This year's expected big rise in output consists of fish already in the production cycle.

Last year's Scottish output of 28,000 tonnes was worth about £120m at the farmgate. Of this total some 12,500 tonnes, worth about £55m, was exported, with shipments to France, the biggest market, rising by 40 per cent to 7,300 tonnes.

Mr Morgan said that British consumers had increased their consumption of salmon by 25 per cent in 1989 compared with the year before. Because of the difficulties the industry now faces the Scottish Salmon Board's promotion and advertising budget for this year will be frozen at last year's level of £2.3m.

Sunflower surge takes traders by surprise

THE SURGE in nearby sunflower oil prices has surprised traders, who say the market – currently buoyed by Argentine farmers' reluctance to sell their seed crop and strong export demand – will turn down in the longer term, Reuter reports.

Prices have risen nearly $90 a tonne since early January despite big crops in Argentina, the main exporter, and the Soviet Union.

"The price surge was unexpected given a forecast increase in supplies," a leading Dutch sunflower oil trader said. "It was due to short-term technical factors."

Spiralling inflation is making Argentine farmers loth to sell. Last week the Argentine austral fell 30 per cent against the US dollar after a higher than expected January inflation figure of nearly 80 per cent.

"Farmers feel their crop is a more secure hedge against inflation than cash," one London trader said.

Yesterday morning, sunflower oil for February-April shipment was offered $20 a tonne higher than Friday's levels at 510 dlrs ex-tank Rotterdam but found no buyers.

Sunflower oil is now offered at a premium of about 80 dlrs a tonne over soybean oil and 250 dlrs a tonne over palm oil.

Argentina is the only major supplier at present, and the shortage of nearby supplies has squeezed the market, traders say.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices eased on the London Metal Eechange yesterday in spite of a fall in LME warehouse stocks to a 15-week low of 93,725 tonnes last week. The setback followed general profit-taking and stale-bull liquidation and was reflected in lower prices for zinc and aluminium. Zinc failed to renew its assault on the $1,400-a-tonne level after stocks rose contrary to expectations. Dealers believe the market may now retest the $1,350 level. Aluminium stocks rose by 6,675 tonnes, more than expected. Lead stocks fell by 1,900 tonnes to 16,025 tonnes, the lowest level for two years, but the three-month price failed to maintain Friday's break above

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.35-6.45z	+.175
Brent Blend	$19.30-9.35z	+.15
W.T.I. (1 pm est)	$21.85-1.87z	+.15

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$224-226	
Gas Oil	$172-173	+3
Heavy Fuel Oil	$90-91	-2
Naphtha	$198-200	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$419.25	+3.50
Silver (per troy oz)♣	532c	+5
Platinum (per troy oz)	$513.25	+4.50
Palladium (per troy oz)	$135.50	-0.35
Aluminium (free market)	$1425	-10
Copper (US Producer)	103⅝-106c	
Lead (US Producer)	40.5c	
Nickel (free market)	300c	+15
Tin (Kuala Lumpur market)	16.64r	-0.04
Tin (New York)	289c	+2
Zinc (US Prime Western)	65¼c	
Cattle (live weight)†	108.96p	-1.57*
Sheep (dead weight)†	199.81p	-8.06*
Pigs (live weight)†	92.68p	+3.02*
London daily sugar (raw)	$365.0x	+4.6
London daily sugar (white)	$437.0x	+3.0
Tate and Lyle export price	£326.5	+1.0
Barley (English feed)	£112.75	-1.00
Maize (US No. 3 yellow)	£127.5	
Wheat (US Dark Northern)	£129	
Rubber (Mar)♥	55.50p	
Rubber (Apr)♥	56.50p	
Rubber (KL RSS No 1 Mar)	231.5m	
Coconut oil (Philippines)§	$382.5x	
Palm Oil (Malaysian)§	$265	
Copra (Philippines)§	$250	+10
Soyabeans (US)	£159	
Cotton "A" index	75.80c	-.20
Wooltops (64s Super)	556p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Feb. z-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	633	618	625 620
May	633	622	636 631
Jul	646	646	649 643
Sep	662	651	666 660
Dec	686	685	688 683
Mar	707	705	710 705
May	721	721	724 719

Turnover: 6717 (4381) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 9 752.78 (739.26) 10 day average for Feb 12 753.11 (754.36)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Mar	598	585	602 592
May	608	591	613 601
Jul	625	604	625 613
Sep	638	617	640 627
Nov	655	655	652 643
Jan	667	653	668 657
Mar	686	667	

Turnover: 4166 (2700) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 9: Comp. daily 65.30 (63.71). 15 day average 62.70 (62.49)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	329.40	333.20	334.80 329.40
May	329.40	333.40	334.60 329.40
Aug	327.20	331.00	331.00 327.20
Oct	317.20	319.60	320.20 317.20
Dec	315.00	314.00	
Mar	294.60	297.00	298.40 294.60
May	293.60	294.00	
White	**Close**	**Previous**	**High/Low**
Mar	434.0	437.4	438.5 434.0
May	430.0	432.0	434.5 430.0
Aug	430.0	433.5	433.0 430.0
Oct	396.0	399.0	399.0 396.0
Dec	372.5	375.5	
Mar	366.0	369.0	367.0 366.0
May	366.5	369.0	366.5 365.5

Turnover: Raw 2687 (5018) lots of 50 tonnes. White 3317 (1710)
Paris- White (FFr per tonne): Mar 2480, May 2460, Aug 2470, Oct 2280, Dec 2145, Mar 2124.

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Mar	169.25	166.00	169.25 166.50
Apr	164.75	162.75	165.00 163.50
May	162.25	161.75	162.50 161.50
Jun	161.00	160.75	162.50 161.00
Jul	162.50	159.50	163.00 162.00

Turnover 4445 (6305) lots of 100 tonnes

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Apr	19.34	19.22	19.35 19.19
May	19.09	18.98	19.12 18.96
Jun	18.89	18.85	18.89
IPE Index	19.24	19.60	

Turnover: 5774 (11459)

TEA
30,840 packages were on offer including 6,200 offshore, reports the Tea Brokers' Association. Medium Assam CTC's met less competition and were 5-10p lower apart from selected Pekoe dusts. Plainest sorts were again neglected. Best liquoring and selected good medium East Africans CTC's sold readily at firm to dearer rates but the remainder were often 4-5p lower. Central Africans met a little more enquiry than of late but prices tended lower. Ceylons came in for much better demand at firm to dearer rates. Quotations: quality 220p nominal (200p), medium 135p (143p), low medium 98p (100p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 10,250 tonne
Cash	1425-7	1439-41	1428	1427-8		
3 months	1441-2	1452-3	1455/1434	1442-3	1434-5	34,381 lots
Copper, Grade A (£ per tonne)						Ring turnover 42,175 tonne
Cash	1354-5	1359-60	1374/1355	1373-4		
3 months	1358-9	1364-5	1372/1360	1371-2	1367-8	61,085 lots
Lead (£ per tonne)						Ring turnover 18,525 tonne
Cash	447-8	445-7	451/450	450-1		
3 months	419-20	424-5	428/413	421-2	418-4	9,859 lots
Nickel ($ per tonne)						Ring turnover 888 tonne
Cash	6525-65	6340-60	6450/6440	6430-50		
3 months	6500-10	6340-60	6550/6425	6425-30	6525-50	6,980 lots
Tin ($ per tonne)						Ring turnover 405 tonne
Cash	6275-300	6300-20		6280-90		
3 months	6400-20	6420-40	6420/6400	6400-5	6400-10	5,058 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 19,800 tonne
Cash	1360-5	1399-402	1387	1385-7		
3 months	1372-3	1388-90	1392/1386	1375-8	1367-8	17,385 lots
Zinc ($ per tonne)						Ring turnover 600 tonne
Cash	1380-90	1390-400		1395-400		
March 30	1360-70	1360-70		1370-80		969 lots

LME Closing £/$ rate: SPOT: 1.6970 3 months: 1.6580 6 months: 1.6427 9 months: 1.6194

POTATOES – IPE £/tonne

	Close	Previous	High/Low
Apr	181.0	189.4	191.0 181.0
May	207.0	212.0	213.4 207.0
Nov	100.0	104.0	100.0
Feb	140.0	131.5	140.0 136.0

Turnover 809 (305) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne

	Close	Previous	High/Low
Apr	128.00	126.00	128.00 127.50
Jun	124.50	125.00	124.00
Aug	124.50	124.50	

Turnover 72 (110) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point

	Close	Previous	High/Low
Feb	1595	1600	1605 1595
Mar	1625	1620	1634 1625
Apr	1635	1628	1639 1630
Jul	1390	1384	1395 1390
Oct	1520	1505	1520
BFI	1579	1583	1579

Turnover 263 (438)

GRAINS – IPE £/tonne

Wheat	Close	Previous	High/Low
Mar	112.60	112.20	112.60 112.30
May	116.70	116.20	117.00 116.65
Jun	118.85	118.35	119.00 118.35
Barley	**Close**	**Previous**	**High/Low**
Mar	107.15	106.65	107.00
May	109.65	109.35	109.80 109.50
Nov	106.60	106.50	106.50

Turnover: Wheat 218 (402), Barley 27 (66). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	111.5	112.0	
Apr	116.3	115.0	116.0
Jun	116.5	116.5	116.0
Oct	116.0	116.5	116.0

Turnover 16 (36) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	419-419½	247-247½
Opening	415¾-416¼	245-245½
Morning fix	415.75	244.405
Afternoon fix	416.85	245.585
Day's high	420¼-420¾	
Day's low	414¾-415¼	

Coins	$ price	£ equivalent
Maple leaf	428-433	252-255
Britannia	428-433	252-255
US Eagle	428-433	252-255
Angel	428-433	252-255
Krugerrand	419-422	247-249
New Sov.	98½-100½	58-59½
Old Sov.	98½-100½	58-59½
Noble Plat	519.40-527.25	306.90-311.60

Silver fix	p/fine oz	US cts equiv
Spot	312.60	530.00
3 months	324.60	541.00
6 months	335.45	552.00
12 months	380.50	575.95

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	59	70	13	28
1450	22	44	35	51
1500	7	25	70	80
Copper (Grade A)	**Calls**		**Puts**	
2200	100	128	16	58
2250	72	95	32	80
2300	43	73	65	107
Coffee	**Mar**	**May**	**Mar**	**May**
550	49	69		6
600	6	33	9	25
650		14	51	65
Cocoa	**Mar**	**May**	**Mar**	**May**
550	72	97		4
600	26	49	4	16
650	3	25	31	40
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900	61	67	31	48
1950	36	45	60	81
2000	19		89	

US MARKETS

PLATINUM FUTURES RALLIED sharply in response to the situation in South Africa and tended to pull both the gold and silver with them, reports Drexel Burnham Lambert. Early active short-covering pushed values higher, but heavy trade selling stopped the advance in gold and silver failed to find any follow-through. Both markets closed higher on the day, above areas of support. Copper was choppy, opening firm, but failing with late long-liquidation. Reports of an explosion at a Venezuelan petro-chemical plant reversed gasoline futures, which had been weak early-on, and added to strength across the entire energy complex. The markets tended to move away from underlying support areas. Coffee rallied on speculative buying following Friday's strong action. Sugar eased with commission house and local selling in the face of trade buying as the market failed to maintain itself above the 15c level basis March. Cocoa saw heavy activity in the March/May switch ahead of first notice day in March, speculative buying of March and July was noted.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	419.2	416.1	421.0	415.7
Mar	420.3	417.9	422.5	422.8
Apr	423.6	420.6	424.9	419.3
Jun	429.2	426.1	430.6	424.8
Aug	434.3	431.1	434.8	432.9
Oct	439.7	436.6	439.2	439.0
Dec	445.1	441.9	445.5	441.8
Feb	450.8	447.8	451.5	451.0
Apr	456.2	453.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	517.9	507.5	0	0
Apr	523.9	514.1	527.5	513.0
Jul	529.7	519.6	533.2	523.0
Oct	535.7	525.6	535.0	526.6
Jan	542.2	532.1	533.0	533.0
Apr	549.7	539.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	528.6	525.4	0	0
Mar	530.5	527.3	534.5	528.5
Apr	534.6	531.5	0	0
May	538.8	535.7	543.5	536.5
Jul	547.0	544.0	551.5	546.0
Sep	555.5	552.0	559.5	555.5
Dec	567.0	564.2	573.0	567.0
Jan	570.4	567.5	0	0
Mar	579.9	576.2	582.0	581.0
May	587.1	584.3	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 12	Feb 9	mnth ago	yr ago
1784.6	1786.6	1805.6	1980.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 9	Feb 8	mnth ago	yr ago
Spot	128.73	128.46	128.56	134.94
Futures	130.42	130.30	131.44	137.87

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	100.90	102.35	100.90	100.90
Mar	99.90	101.25	102.80	99.20
Apr	98.90	100.35	1.40	98.90
May	98.20	99.50	100.80	98.20
Jun	97.50	98.70	0	0
Jul	96.70	98.10	98.90	96.60
Aug	96.10	97.55	0	0
Sep	95.50	96.90	96.90	95.70
Oct	95.00	96.35	0	0
Nov	94.50	95.85	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	21.86	21.74	21.95	21.65
Apr	21.71	21.56	21.73	21.51
May	21.57	21.40	21.60	21.34
Jun	21.40	21.20	21.40	21.15
Jul	21.13	21.00	21.13	20.95
Aug	20.90	20.85	20.90	20.75
Dec	20.52	20.51	20.53	20.30

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5580	5608	5600	5530
Apr	5520	5462	5540	5475
May	5465	5408	5495	5425
Jul	5360	5320	5410	5360
Aug	5450	5385	5455	5440
Sep	5555	5485	5565	5520
Oct	5610	5565	5630	5610

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	974	973	990	964
May	980	973	983	968
Jul	995	995	996	982
Sep	1014	1004	1017	989
Dec	1036	1029	1036	1025
Mar	1055	1041	1055	1045
May	1070	1056	1080	1080
Jul	1085	1084	1085	1085

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	86.27	85.05	88.00	84.85
May	89.05	86.75	89.75	86.60
Jul	89.72	88.25	91.15	88.30
Sep	91.00	89.70	92.25	89.70
Dec	93.00	91.88	94.25	92.00
Mar	95.00	93.00	95.50	95.00
May	97.00	95.25	0	0
Jul	98.75	97.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.94	15.12	15.17	14.91
May	14.90	15.06	15.12	14.87
Jul	14.77	14.85	14.91	14.71
Oct	14.31	14.35	14.42	14.25
Mar	13.60	13.66	13.71	13.58
May	13.49	13.57	0	0
Jul	13.40	13.46	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	67.29	66.50	67.30	66.50
May	68.70	68.15	68.75	67.96
Jul	68.70	68.30	68.95	68.15
Oct	66.40	66.10	66.50	66.00
Mar	65.65	65.65	65.65	65.65

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	197.65	197.75	197.90	194.60
May	192.95	194.15	193.00	190.60
Jul	189.75	192.00	190.40	188.00
Sep	186.50	187.30	186.50	184.80
Nov	182.70	183.70	182.70	180.50
Jan	179.25	180.75	0	0
Mar	179.25	180.75	0	0
May	179.25	180.75	0	0
Jul	179.25	180.75	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	565/2	566/6	569/4	565/0
May	576/0	578/6	581/4	577/2
Jul	590/0	589/4	594/2	588/6
Aug	592/6	593/4	596/4	592/4
Sep	591/6	591/0	595/4	591/0
Nov	596/6	595/0	602/4	594/4
Jan	606/4	604/0	612/0	605/0
Mar	616/0	615/0	620/0	616/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.66	19.44	19.75	19.42
May	19.98	19.78	20.04	19.73
Jul	20.16	19.93	20.20	19.93
Aug	20.17	19.91	20.21	19.95
Sep	20.19	19.89	20.20	20.12
Oct	20.16	19.85	20.20	20.12
Dec	20.22	19.92	20.25	19.95
Jan	20.15	19.85	20.10	20.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	166.5	167.2	167.7	166.0
May	170.2	171.1	171.3	170.0
Jul	173.6	174.3	174.6	173.3
Aug	175.3	176.1	176.3	175.2
Sep	177.3	177.7	178.0	177.1
Oct	178.7	178.6	179.2	178.5
Dec	181.3	181.3	182.2	181.0
Jan	182.0	181.5	183.0	181.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	242/0	239/4	242/4	240/2
May	247/6	245/0	248/2	246/0
Jul	252/0	248/4	252/2	249/4
Sep	249/2	246/0	250/4	247/4
Dec	247/0	244/0	248/0	244/6
Mar	253/2	250/2	253/6	250/6
May	257/0	254/0	257/4	254/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	390/0	385/6	390/2	387/4
May	369/0	367/4	369/0	367/4
Jul	349/6	347/6	349/0	347/2
Sep	354/4	354/6	355/4	353/6
Dec	366/2	365/4	366/2	365/0
Mar	373/0	372/0	373/0	371/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	79.67	79.22	79.72	79.02
Apr	77.57	77.10	77.65	76.77
Jun	72.47	72.35	72.50	72.12
Aug	71.02	71.02	71.05	70.77
Oct	72.37	72.37	72.45	72.20
Dec	73.05	73.10	73.10	72.97
Feb	73.00	73.00	73.05	72.85

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	49.27	49.05	49.30	49.00
Apr	47.30	46.95	47.35	46.85
Jun	52.47	51.97	52.50	51.95
Jul	52.25	51.80	52.25	51.70
Aug	50.60	50.02	50.70	50.05
Oct	46.17	45.87	46.17	45.70
Dec	46.62	46.00	46.65	46.02
Feb	46.77	46.75	46.77	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.55	49.70	50.15	49.30
Mar	49.67	49.92	50.30	49.55
May	51.25	51.17	51.47	50.85
Jul	51.57	51.37	51.75	51.10
Aug	49.50	49.40	49.75	49.15
Feb	54.65	54.25	54.95	54.50
Mar	54.80	54.35	54.80	0

LONDON STOCK EXCHANGE

German factors hit London equities

CONCERN over the outlook for West German interest rates continued to drive equity prices lower in London yesterday. Trading volumes were extremely thin, but the Footsie Index lost another 26 points, testing technical support levels once again as Wall Street opened lower and Drexel Burnham Lambert, the US high yield bond specialist, admitted that it was seeking a major investor or merger partner.

South African mining stocks took heavy falls on Mr Nelson Mandela's reaffirmation of the African National Congress plans to nationalise the mines and other sectors of South African industry. With the South African financial rand sharply down, the mining stocks saw fairly modest selling in London but with no buyers to take the strain. Marketmakers were unwilling to take mining shares on to their trading books and with most investors also staying on the sidelines, there was no direction for shares to go but downwards.

UK equities opened fairly calmly on the first day of the new equity trading account but soon began to fall away as the German bond market took a further tumble. Alarm was also expressed over indications in the latest Confederation of British Industry/Financial Times distributive trades survey that domestic retail sales were still buoyant, a prospect raising the spectre of further increases in UK base rates. However, these fears were soon allayed when official data showed January retail sales down 1.3 per cent, slightly more than market predictions.

The retail sales statistics should have been good news for an equity market anxious to see UK interest rate policies succeeding, but it was soon clear that worries over German rates are now paramount in the minds of investors. Share prices extended their losses and when Wall Street came in sharply off, the UK market crumbled away further to challenge the FT-SE 2,280 mark which is regarded as a danger point by technical chart analysts.

A very slender rally, stimulated by a similar fillip on Wall Street, left the FT-SE Index with a final reading of 2,286.9, a net fall of 26.7 points. Market strategists received the day's fall calmly. Although many agree that there are no evident support levels between Footsie 2,280 and 2,300, they also recommend institutional clients to accumulate stock whenever the market dips to this range.

There was little sign of significant selling yesterday; in fact the paucity of business provided the chief feature of the market. The first half of the session, lacking its usual overnight lead from Tokyo, was particularly quiet, and a modest pick up in activity later owed much to selling by market makers. Seaq volume for the day reached only 337.4m shares, against Friday's 521.4m.

Account Dealing Dates			
*First Dealings:	Jan 29	Feb 12	Feb 26
Option Declarations:	Feb 8	Feb 22	Mar 8
Last Dealings:	Feb 9	Feb 23	Mar 9
Account Day:	Feb 19	Mar 5	Mar 19

*New time dealings may take place from 9.00 am two business days earlier.

Cautious BP awaits figures

BP shares traded nervously as the market braced itself for fourth quarter figures from the oil leader, scheduled for release on Thursday. At the close yesterday the shares were 4 down at 337½p with turnover of 8.5m, by far the largest in the oil and gas sector and among the biggest in the market.

Dealers said there had been little heavy selling by the institutions but persistent small liquidation, and little support from the securities houses which have recommended the shares during recent weeks.

In the background, according to dealers, was the adverse effects of last week's oil spill from the tanker American Trader which has threatened Californian beaches.

As for BP's fourth quarter results, Mr Nick Clayton at Smith New Court is looking for historic cost net income of £469m for the three months' period, making £1,765m for the year, with replacement cost net income expected to come out at £373m, 22 per cent up on the same period last year. He expects the quarterly dividend to be increased from 3.65p to 4.05p raising the full year total to 15p net, from 13.5p.

Mr Fergus MacLeod at BZW is forecasting historic net income of £504m. Hoare Govett goes for a figure of £398m and Shearson Lehman Hutton for £490m.

Rosehaugh excites

Rosehaugh jumped 34 to 364p as speculation mounted early on that in the wake of the recent £125m rights issue a bid will be announced this week at 550p per share. The talk centred around Olympia & York and also JMB, which holds a 5 per cent stake.

But as the day wore on, dealers and analysts became more sceptical that a bid would be launched. "This story sounds wild – price sounds silly," commented one analyst. Said another: "It's a nice story. But this share is open to this kind of story at the moment. There's a lot of people with a vested interest in the getting the share price higher at the moment." After yesterday's gains, Rosehaugh stands just 6 below its closing price of last Monday, when the share slumped on news of the rights issue.

Cleaners' offer

Sketchley, the dry cleaning and office services group, gained ground after car dealing and laundry company, Godfrey Davis, launched a £138m hostile share and cash offer.

Mercury Asset Management immediately pledged its 17.1 per cent holding in Sketchley, and the market soon took the view that there is unlikely to be a white knight for Sketchley. The price then came off the day's peak of 403p to close a net 18 better at 382p, which is 6p above the current value of the share and cash offer.

Sketchley rejected the offer, and confirmed predictions that profits for the year to March were likely to be "substantially below market expectations." One analyst commented: "It will take an act of faith on the part of Godfrey Davis shareholders to agree to this deal as their earnings will be substantially diluted." Godfrey Davis shares closed 9 down at 149p.

The bid for Sketchley helped sentiment in Johnson Group, another dry cleaning business, which added 10 at 615p.

Shares in Lonrho, which has extensive mining interests in South Africa, fell amid uncertainty arising from the contrasting views expressed by Mr Nelson Mandela, the freed African National Congress leader. Analysts had said Mr Mandela's release would be a prelude to power-sharing negotiations with the black majority and a possible relaxation of anti-apartheid sanctions. Mr Mandela both praised President F.W. de Klerk and reaffirmed that the ANC would continue its armed struggle. Lonrho fell 7 to 277p, returning to its two-month low of February 1.

Among other South African mining stocks to fall in London were Vaal Reefs, down £3¾ to $73 and Buffels, £1⅛ lower at $9½.

News that Drexel Burnham Lambert was seeking an big investor did nothing to help Reuters' shares, down 17 at one point and closing 14 off at 1036p. Dealers said Drexel was a large customer of Reuters' and might have to scale down its business. Reuters publishes full-year figures today.

Banks were upset by a combination of the general market malaise and minor profit-taking. Last week the sector touched its best levels for around three years, relative to the market.

Royal Bank of Scotland, sharply lower on Friday after the Kuwait Investment Office cut its stake to 2.34 per cent by selling a 28m share-stake to Scottish Amicable Life Assurance, came under yet more selling pressure. Speculators took the view that a bid for the bank is now less likely. Royal Bank shares retreated 11½ more to 187p – a fall of 22 over the past two trading sessions – with turnover reaching 5.8m shares.

Lloyds dropped 10 to 279p on turnover of 4m, Barclays a similar amount to 555p, and Midland and NatWest 6 apiece to 365p and 337p respectively.

Standard Chartered held up well for a time but eventually succumbed, dipping 5 to 595p.

Hambros, despite press comment on the possibility of Baltica, in partnership with Banque Indosuez, making a bid for the group, fell 10 to 312p. Kleinwort Benson dropped 8 to 413p.

Life assurers gave ground, unsettled by UBS Phillips & Drew's bearish views on the sector. In a review of the lifes, Mr Youssef Ziai said the sector "outperformed the market by 19 per cent in 1989 but from a current relative of 128, the highest ever, is likely to underperform over the next year unless we witness further takeover activity."

Lloyds Abbey Life slipped 4 to 318p ahead of preliminary figures, due on February 28 – County NatWest forecasts a 13 per cent fall in pre-tax profits to £265m. Prudential, after a BZW downgrade of its 1990 pre-tax profits forecast from £385m to £340m, lost 3½ to 208p.

Guardian Royal Exchange were a notable weak spot in composite insurances, retreating 8 to 234p on turnover of 3.6m.

Shell, which will be reporting fourth quarter figures on February 21, dropped 10 to 472p but turnover failed to reach 1m. Other poor performers included Enterprise, 14 off at 661p, and LASMO, 15 down at 603p.

Aviva Petroleum continued their strong performance, edging up 2 more to 41½p, after 42p, following an broker's buy recommendation.

Activity in the electronics/telecom stocks was described as very poor by dealers. Amstrad were a penny off at 54p, after extremes of 56p and 53p, ahead of Thursday's interims. Estimates of the group's pre-tax profits are wide-ranging, with Mr Chris Tucker of Kitcat & Aitken going for £15m, County NatWest and Hoare Govett for £20m and BZW for £25m. In the same period last year Amstrad made profits of £75.3m.

The presentations to institutions in France, hosted by Paribas, failed to bolster GEC, which eased 2 to 223p on 3m.

FKI surprisingly topped the turnover list in the sector, with the shares drifting back 3 to 65p, after 64p on turnover of 8.6m; this figure was significantly boosted by two individual trades of 2.4m and 2.3m. Specialists said profits forecasts for the group were coming under pressure after weakness in the US automotive market.

BICC dropped to 430p before steadying and rallying to close a net 8 off at 437p. Mr James Ross, James Capel's electricals analyst was thought to have turned cautious on the stock, amid worries about the group's Australian businesses, the Channel tunnel, property development and the possible impact of cost cutting at British Telecom.

Comment in the Sunday press that Westland would soon be the subject of a bid from British Aerospace, lifted the shares of the former and depressed those of the latter. Westland closed 6 up at 130p having touched 133p, but dealers, worried by the possibility of BAe making an acquisition in the defence area, sold stock and the shares came off 9 to 527p.

An analyst said: "From the BAe point of view it would be a good strategic fit but the acquisition would mean British Aerospace increasing its defence exposure and Westland is not in good shape."

GKN, which has a 23 per cent holding in Westland, continued in the doldrums, the shares giving up 8 to 388p. The story doing the rounds was that the company was about to make a rights issue to enable it to mount a counter bid for Westland. Other dealers however believed such a move unlikely.

Avon Rubber lost 6 to 473p as the company chairman said the company was facing difficult trading conditions. The shares may have fallen further but one dealer said: "The statement was not as bearish as we thought it would be."

Hartwell, currently the subject of a £151m bid from Oakhill, the UK Vehicle of the Jameel Group, edged a penny forward to 142p as the company forecast a 19 per cent growth in profits to £12.4m. The shares are now 6p above the 136p a share Oakhill offer and the company once again advised shareholders to reject the offer.

Food and agricultural manufacturer, Dalgety, produced interim earnings of £57.1m, from £51.7m last time, which was at the top end of analysts' expectations. But its shares were unable to resist the market's downward drift as some analysts lowered their full year forecasts.

Charterhouse Tilney cut its estimate to £118m from £120m, saying that better US earnings in the second half would be more than offset by a slowdown its UK and Australian agribusinesses. In addition, Kitcat & Aitken expects £120m from £121m previously, though BZW remains at £128m. Dalgety eased 5 to 379p.

There was talk of downgradings around English China Clays and the shares eased 7 to 414p. There was also speculation of downgradings at Trafalgar House, down 4 at 332p. The announcement of a possible management buyout at BHH lifted the shares 27 to 127p. "BHH is based in the Midlands and is involved in industrial property, which is as good an area to be involved in as any," said one analyst.

Press reports that Ratners had considered bidding for Dixons left the former 10 lower at 239p and the latter 2 higher at 129p. Marketmakers said that the revelation emphasised the fact that Dixons was in play as a bid target and that Ratners was looking to make acquisitions. A bid for Dixons by Kingfisher is being considered by the Monopolies and Mergers Commission.

Further consideration of losses announced last week by Sock Shop pushed the shares another 7 lower to 41p. Body Shop, another niche retailer, albeit one that has been a strong performer on the stockmarket in recent months, also slipped to end 15 down at 555p.

A warning from Quadrant that profits would fall short of market expectations left the shares 17 down at 128p. The company, a wholesaler of photographic and video equipment, said that trading had been particularly bad during December and January.

Talk of a management buyout at Owners Abroad, with the help of the West German airline Lufthansa, pushed the shares 4 better to 67p.

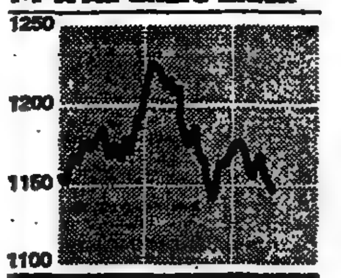
US press reports that Saatchi and Saatchi and some of its officers had been accused in a US federal lawsuit of artificially inflating the price of the company's ADRs through false or misleadingly optimistic financial statements, hurt the shares in London. They fell to 220½p at one point before closing a net 8 down at 223p

A worse than expected full-year loss of £2.12m, compared with a profit of £5.04m last time at Hunterprint depressed the shares. They bottomed at 95p before recovering to 105p, still 5 down on the day. Trading was thin.

USM-quoted Filofax fell to 33p on a profits warning before recovering to close 3 on the day at 36p. The company said it had been affected by difficult retail conditions in the UK. Another USM stock, Essex Furniture, rose 3 to 50p after releasing interim profits marginally ahead at £281,000.

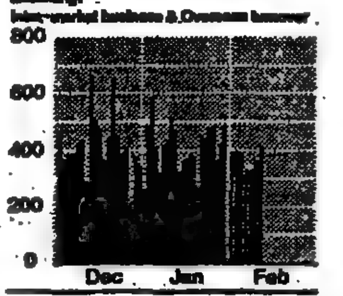
■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 29

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (38). BANKS (1) CHEMICALS (1) STORES (1) ELECTRICALS (2) ENGINEERING (2) FOODS (1) INDUSTRIALS (2) RCO, Securiguard, PROPERTY (1) SOUTH AFRICANS (2) TEXTILES (1) TRUSTS (8) WATER (1) OILS (4).

NEW LOWS (91). BRITISH FUNDS (1) INT.BANK & O'SEAS GOVT. STLG. ISSUES (2) AMERICANS (5) CANADIANS (4) BANKS (1) BREWERS (3) BUILDINGS (4) CHEMICALS (1) STORES (7) ELECTRICALS (6) ENGINEERING (9) FOODS (2) INDUSTRIALS (13) Alumasc, BLP, Bear Brand, Cookson, Mayflower Corp., Norcros, Optical & Medical Int'l., Plasticised, RKF, Radiant Metal, Raymore, Sale Tilney, Shaw (Arthur), INSURANCE (1) LEISURE (3) MOTORS (2) PAPERS (7) PROPERTY (4) TEXTILES (4) TRUSTS (3) OILS (1) MINES (6) THIRD MARKET (2).

FINANCIAL TIMES STOCK INDICES

	Feb 12	Feb 9	Feb 8	Feb 7	Feb 6	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	80.88	81.15	81.26	80.80	81.23	88.88	89.28 (8/2/89)	80.80 (7/2/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.34	91.35	91.48	91.25	90.97	87.56	99.59 (15/3/89)	90.85 (26/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1810.6	1830.7	1845.3	1826.2	1835.8	1658.1	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	344.2	367.7	372.5	375.1	378.5	185.4	378.5 (6/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2286.9	2313.6	2331.0	2307.4	2321.1	2092.7	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.75	4.70	4.66	4.71	4.68	4.39				
Earning Yld %(full)	11.48	11.35	11.26	11.37	11.32	10.90				
P/E Ratio(Net)(☆)	10.54	10.66	10.75	10.64	10.69	11.04				
SEAQ Bargains(5pm)	24,580	28,988	25,036	23,975	25,845	30,233				
Equity Turnover(£m)†	-	774.46	761.29	788.77	882.60	1503.74				
Equity Bargains†	-	28,425	24,713	23,739	26,342	45,690				
Shares Traded (ml)†	-	413.2	369.6	326.0	330.0	657.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.49

Ordinary Share Index, Hourly changes — Day's High 1831.1 — Day's Low 1807.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1831.1	1824.6	1819.2	1819.5	1819.7	1821.6	1821.8	1811.3

FT-SE, Hourly changes — Day's High 2313.3 — Day's Low 2282.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2313.0	2304.0	2297.2	2297.7	2298.0	2300.6	2301.4	2297.4

GILT EDGED ACTIVITY

Indices*	Feb 9	Feb 8
Gilt Edged Bargains	91.0	80.8
5-Day average	85.5	82.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

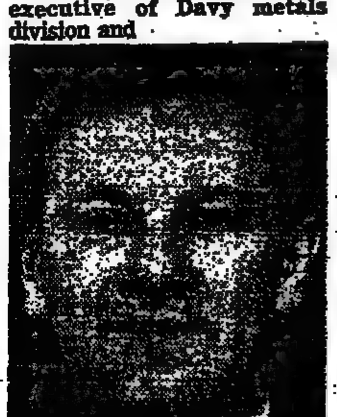
Stock	Volume 000's	Closing Price	Day's change
AGT	841	197	−1
ASDA Group	2,400	105	+1
Abbey National	3,900	182	−2
Allied-Lyons	1,000	472	−6
Amstrad	1,300	54	−1
Argyll Group	659	207	
Ass. Brit. Foods	183	397	−1
BAA	101	387	−7
BAT Inds.	1,400	906	
BET	1,600	249	−1
BICC	1,300	437	−8
BOC	405	539	−3
BPB Inds.	289	239	−4
BTR	2,100	423	−7
Barclays	1,000	555	−10
Bass	408	[illegible]	−18
Beazer	87	154	
Berisford Int.	514	195	−4
Blue Arrow	1,200	86	−1½
Blue Circle	1,800	227	−7
Boots	875	272	−3
Brit. & Comm.	305	72	−1
Brit. Aerospace	545	887	−9
British Airways	385	185	−1½
British Gas	3,300	222½	−3
British Land	108	378	−4
BP	8,500	337½	−4
British Steel	2,000	139	−1
British Telecom	2,100	302	−6
Bunzl	177	105	
Burmah Oil	289	650	−7
Burton	1,800	181	−3
Cable & Wire.	1,000	542	−6
Cadbury	1,000	359	
Calor Group	32	359	
Carlton Comms.	187	779	−4½
Coats Viyella	1,200	126	
Comm. Union	309	482	−2
Cookson	650	246	−5
Courtaulds	665	382	−5
Dalgety	267	379	−5
Dixons	500	129	+2
Eng. China Clays	82	414	−7
Enterprise Oil	135	661	−14
FKI	8,500	65	−3
Ferranti	1,885	39	−1
Fisons	414	337	−6
Gen. Accident	190	1137	−13
General Elect.	3,000	223	−2
Glaxo	825	867	−4
Globe Inv.	38	178½	−½
Glynwed Int.	254	282	+2
Granada	384	313	−6
Grand Met.	1,100	595	−7
GUS A	79	1010	−4
GRE	3,600	234	−8
GKN	700	388	−8
Guinness	447	633	−7
Hammerson "A"	48	775	−2
Hanson	6,700	228½	−1
Hanson Warrants	38	57	
Harrisons Cros.	865	146	−3
Hawker Sidd.	254	669	−9
Hillsdown	321	263	−2
IMI	198	217	−1
ICI	849	1074	−10
Inchcape	93	274	−2
Jaguar	1	849	
Kingfisher	331	274	−3
Ladbroke	2,100	285	−1
Land Securities	238	488	−2
Laporte	465	511	−4
Legal & General	982	368	−6
Lloyds Abbey	130	318	−4
Lloyds Bank	4,000	279	−10
LASMO	1,200	604	−14
Lonrho	806	277	−7
Lucas	187	688	−8
MB Group	2,100	215	−1
MEPC	12	488	−2
Marks & Spencer	777	204	−2
Maxwell Comm.	853	209	−1
Mecca Leisure	189	149	−2
Midland Bank	686	365	−6
NatWest Bank	1,200	337	−6
Next	232	98	
Northern Foods	349	304	−1
Pearson	178	727	−17
P & O	581	609	−3
Pilkington	2,700	220	
Polly Peck Intl.	2,100	417	−2
Prudential	919	208	−3½
RHM	300	423	−3
RMC	291	645	−8
RTZ	831	501	−8
Racal	420	232	+½
Racal Telecom	834	376	+2
Rank Org.	681	770	−15
Reckitt & Colman	62	1174	−16
Redland	352	557	−11
Reed Intl.	184	419	−2
Reuters	435	1036	−14
Rolls Royce	2,300	174	−2
Rothmans	82	840	−9
Ryl Bk Scotland	5,800	187	−11½
Royal Insurance	488	309	−3
STC	2,600	291	−1
Saatchi	445	223	−8
Sainsbury	646	267	−2
Scottish & New.	322	325	
Sears	2,600	102½	−½
Sedgwick	3	285	−1
Shell Transport	939	472	−10
Siebe	76	415	−8
Slough Ests.	772	303	−3
Smith (W.H.) A	144	326	−2
Smith & Nephew	1,700	116½	−2
SmKl Beecham	4,600	535	−7
SmKl Beecham Units	82	2403	−20
Smiths Inds.	530	249	−8
Standard Chartd.	745	595	−6
Storehouse	812	111	
Sun Alliance	419	308	−2
Sun Life	108	1395	−3
T&N	48	205	
TI Group	45	434	
TSB	3,500	138	−2
Tarmac	1,100	294	−2
Tate & Lyle	1,400	312	−1
Taylor Woodrow	808	284	
Tesco	771	197	+½
Thames Water	880	154	−1
THORN EMI	939	755	−12
Trafalgar House	529	332	−4
Trusthouse Forte	489	281	−2
Ultramar	807	386	−8
Ungate	457	325	−4
Unilever	330	651	−9
United Biscuits	855	334	−2
Utd. Newspapers	90	401	−2
Wellcome	857	692	−11
Whitbread "A"	1,100	380	−2
Williams Hldgs.	408	347	+2
Willis Faber	83	268	−4
Wimpey	89	286	−1

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

APPOINTMENTS

Senior posts at Davy Corporation

Mr Ron Woodworth (pictured) has been appointed to the main board of DAVY CORPORATION from April 1 with special responsibility for commercial and legal matters. He is currently deputy chief executive of Davy metals division and



managing director of Davy McKee (Stockton). He joined Davy in 1967 after qualifying as a solicitor.

Succeeding Mr Woodworth as managing director of Davy McKee (Stockton) will be Dr Barry Phillipo, at present managing director of Davy (Distington), a post he will retain.

Mr John Kelman, managing director of Davy McKee Pittsburgh, will assume responsibility for the San Francisco and Canadian companies. The South African company under Mr Robin Millman will now report to Mr Peter Newman, chief executive of Davy metals division.

■ The following have been appointed as directors of KLEINWORT BENSON INVESTMENT MANAGEMENT, the investment management subsidiary of the Kleinwort Benson Group: Mr Philip Ainsworth, in charge of quantitative product development; Mr Douglas Clasper, in charge of trustee and personal financial planning within the private banking service; Mr Nicholas Haynes, director in charge of investment management in Geneva and deputy general manager of Banque Kleinwort Benson SA in Switzerland; Mr Mark Luboff, in charge of treasury services, a newly-created role within KBIM; and Mr Robin Shearmur, who is responsible for customer care within the company's private banking services.

■ REPSOL, a Spanish company based in Madrid, has appointed Mr Richard Hasting-Dasent as managing director of the UK subsidiary in London. He was with Petrofina U.K., where he was executive director, supply and refining, and a member of both the Petrofina U.K. board and management committee. Repsol has exploration and production assets in the UK, including a 5% participation in the Magnus field. Last year the company acquired Carless Petroleum and Carless Refining and Marketing.

■ Mr Jean-Claude Haas, a partner in Lazard Freres, Paris, has been appointed a director of PEARSON.

■ Mr Robert Wood has been appointed to the new role of managing director-PLAXTON GROUP. He joined the board of Plaxton in June 1989 following the acquisition of Henlys, where he had been chief executive since 1985.

■ WOLSTENHOLME RINK, Darwen, Lancs, which makes products for the printing industry has appointed to the main board Mr Martin Olive, managing director of subsidiary Charles Openshaw & Sons, and Mr John Ackroyd, group company secretary and finance director of Wolstenholme Bronze Powders. Mr Ackroyd becomes group finance director.

■ PATERSON ZOCHONIS has promoted to the main board Mr A.J. Green and Mr C.N. Green, directors of Cussons (International), and Mr K. Herbert, managing director of Cussons (UK).

■ HAWKER SIDDELEY GROUP has promoted Mr Mike Harding to marketing director of Westinghouse Brake and Signal, from general manager of marketing; and Mr John Mills, general manager, contracts, to the board. Mr Fred Pratt has been appointed to the board of Crompton Lighting as specialist division general manager. Mr Steve Harrison joins the board of Hawker Fusegear. Mr Claude Dreulle, a director of Haddon Oldham, also joins the board of Hawker Batteries.

■ Mr Geoff Gillespie, deputy chief executive of United Dominions Trust, has been appointed deputy managing director of International Motors, part of the I.M. Group, from March 1. The West Bromwich group is UK concessionaire for Subaru, Hyundai and Isuzu cars.

■ Mr Terence K. Hurley has been appointed director of equity trading for MERRILL LYNCH Europe/Middle East, based in London. Mr Kim Barrett becomes group manager, equity institutional sales trading; and Mr Warren Smith, is appointed group manager, equity trading.

■ D.C. COOK HOLDINGS has appointed Mr David Goatley to the main board and as managing director of the motor division and financial services division. He was group executive director, Perry Group. Mr Charles Pettingell becomes group financial director. He was finance director, Morphy Richards Group. Mr John Dunhill, managing director, financial services division, has resigned.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1989/90 High	1989/90 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

1989/90 High	1989/90 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

CANADIANS

1989/90 High	1989/90 Low	Stock	Price	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	257	−2	44c	1.4	7.7	9.2
191	134	Abbey National 10p	182	−2	L7.7	2.7	5.6	7.4
*282	120½	Allied Irish Ord	255	−4	Q068%	3.3	3.2	13.1
£13½	£11½	Algemene Fl.10	£12	−⅛	Q28%	2.0	7.6	6.6
*85	61	Anglo Irish	85	......	Q18.7%	2.7	5.2	11.6
81	57	Ansbacher (H.) 1p	76	+1	2.0	−	3.5	−
£72¼	£38¾	Bancaire Cie Fr100	£58¾	−1	Q12½%	−	2.2	−
£46½	£35½	Banco Bilbao Viz	£39⅝	−¼	Q35.7%	2.0	3.4	14.5
£33	£26½	Banco de Santander	£26¾	−¾	Q21%	♦	3.1	♦
*286	169	Bank Ireland Ir£1	267	−2	Q12.7%	3.2	4.4	9.1
£19½	£17½	Bank Leumi	£19½	......	−	−	−	−
350	345	Bank Leumi (U.K.)	345	......	†13.5	−	5.2	−
125	88	Bank Scotland	117	−1	†3.8	3.6	4.3	8.4
111¼	95½	Do. 9¼pc Irrd Pf	97½	......	9¼%	−	12.6	−
*67	49	Bank of Wales	52	......	2.8	1.6	7.2	10.9
*588	404	Barclays £1	555	−10	†23.0	3.5	5.5	6.3
31	19	Benchmark 20p	20	......	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	315	−2	†10.5	−	4.4	−
455	325	Cater Allen £1	419	−1	23.5	−	7.5	−
259	157	Chancery	172	−3	†8.0	2.8	6.2	7.6
£23¼	£14½	Commerzbk DM10	£21¾	−1½	Q18%	−	3.0	−
*£29	£22½	C'hgn. Hdl. Kr100	£25⅝	−⅛	Q15%	−	5.6	−
£16¾	£10½	Dai Ichi KBk Y50	£12¼	......	†Q16%	8.8	0.3	41.0
*£314¼	£156¼	Deutsche Bk DM50	£279½	−14¼	Q24%	−	1.5	−
£22¼	£17½	Espirito Santo	£19½	......	Q75c	3.3	2.3	13.3
260	182	First Nat. Fin. 10p	218	−3	13.0	2.4	8.0	6.7
134	90	FNFC 6.3pc Cv. Pf	113	......	6.3%	−	7.4	−
£16⅝	£13½	Fuji Bank Y50	£14¼	......	Q15.6%	4.2	0.2	−
325	230	Gerrard & National	283	......	18.5	−	8.7	−
154	118	Guinness Mahon 10p	154	......	4.2.1	−	1.8	−
328	197	Hambros 20p	312	−10	†10.0	−	4.3	−
127	90	Do. 7.5pc Cv Pf	125	−2	7½%	−	8.0	−
60	39	HK & Shang. HK$2.50	57	−1	HQ36c	−	4.9	−
495	423	Joseph (Leo) £1	478	......	15.85	−	4.4	−
145	115	King & Shaxson 20p	145	......	9.25	−	8.5	−
422	277	Kleinwort Benson Grp	413	−8	14.0	−	4.5	−
307½	213	Lloyds £1	279	−10	†11.2	4.5	5.4	5.5
56	40	Lon. Scot. Bank 10p	52	−1	2.4	♦	6.2	♦
406	287	Midland £1	365	−6	†16.4	3.3	6.0	6.8
£15¼	£11¾	Mitsubishi Bank Y50	£12¾	......	†Q16%	8.1	0.3	44.3
£14¼	£10¾	Mitsubishi Tst & Bk Y50	£10¾	......	Q16%	8.2	0.3	39.7
934	802	Mitsui Tst & Bk Y50	812	−2	Q16%	7.1	0.4	34.1
*352	269	Nat Aust. Bk. A$1	288	−3	sQ32c	1.5	5.0	13.3
365	255	NatWest £1	337	−6	†14.12	4.4	5.6	5.3
£220	£160	Ottoman Bank	£205	......	Q90%	−	4.4	−
83	46	Rea Bros. Group	46	−2	0.5	−	1.4	−
*240	155	Rothschild (J) Hldgs	191	−1	†9.5	3.6	6.6	5.5
227	139	Royal Bk. Scotland	187	−1½	7.2	3.8	5.1	6.6
822	668	Saitama Bank Y50	672	−1	†Q13%	4.7	0.4	52.4
*£13¼	£10⅝	Sanwa Bank Y50	£10¾	......	†Q16%	8.3	0.3	39.0
1735	870	Schroders £1	1725	......	19.5	−	1.5	−
1350	655	Do. £1 N/V	1325	......	19.5	−	2.0	−
£33¾	£19¼	Sec. Pacific $10	£21¼	+⅛	Q51.96	−	5.5	−
*612	449	Standard Chartd. £1	595	−5	33.9	2.9	7.6	5.1
£19¾	£13½	Sumitomo Bank Y50	£13¾	−⅛	†Q16%	7.5	0.2	53.8
£13¾	£10⅝	Sumitomo Tst & Bk Y50	£10⅞	......	†Q16%	8.1	0.3	38.4
147	97	TSB	136	−2	5.8	2.6	5.7	9.1
234	140	TSB Ch'nel Is'l	171	−1	Q6.7	3.5	3.9	8.5
£11⅞	£9⅜	Tokai Bank Y50	£9⅜	−⅛	Q16%	4.1	0.4	69.5
1015	847	Toyo Tst & Bk Y50	854	−3	Q16%	6.9	0.4	36.9
611	470	Union Discount £1	576	−12½	33.0	−	7.6	−
525	277	Warburg (S.G.)	504	......	†12.5	−	3.3	−
180	98	Do 6pc Cnv Prf	170	−1	6%	−	4.7	−
*284	226	Westpac $A1	252	−4	Q52.5c	1.5	9.4	6.9
468	408	Wintrust 20p	413	+5	17.8	−	2.5	−
1016	872	Yasuda Tst & Bk Y50	885	−3	Q17%	9.3	0.4	26.7

Hire Purchase, Leasing, etc.

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
345	224	Anglo Grp. 10p	250	−2	†5.0	4.1	2.6	10.0
£190	£138¼	Do. 9½pc 1999	£163½	−1½	9½%	−	9.2	−
*373	110	CLF Yeoman 50p	128	+5	Q24.6%	3.4	8.7	3.8
71	56	Cambridge Grp Ir5p	66	......	Q7½%	14.8	0.5	17.0
100	39	Capital Leasing Ir.10p	41	......	Q3.2%	♦	2.7	♦
78	51	Cattle's (Hldgs) 10p	63	−2	†3.25	2.2	6.9	8.9
400	303	Prov. Financial	384	+1	†18.0	1.6	6.3	10.1
235	100	Reftez Inns. Ir5p	220	......	Q6.4%	♦	0.6	♦
236	146	Secure Trust Grp. 1p	220	......	W7.09	1.5	4.3	11.1
208	127	Woodchester Ir20p	208	......	Q11½%	6.2	1.1	17.4

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

MOTORS, AIRCRAFT TRADES

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£17¼	£10¾	DAF N.V. Fl1.5	£18½	–¾	H02.5	1.8	6.8	8.1
162	113	General Mtrs Units	125		[illegible]	–	6.0	–
906	264	Jaguar	849		+11.0	0.5	1.7	–
*61½	27	March Group 5p	42		[illegible]	–	–	–
£207	£94½	Volkswagen DM50	£194½	–8¼	Q20%	2.8	1.7	20.6
£51	£33½	Volvo Kr25	£41¼		Q56%	3.1	3.2	10.5

Commercial Vehicles

*305	220	ERF (Hldgs)	236		15.0	3.7	8.5	4.2
*245	166	Plaxton Grp.	171		[illegible]	2.1	6.6	17.4

Components

438	375	Abbey Panels	438		3.5	10.1	1.1	11.6
290	185	Airflow Streamlines	225		6.0	4.2	3.6	9.0
208	143	Bostrom 5p	167	–3	15.1	2.6	3.6	9.0
299	210	Dowty 50p	210	–3	[illegible]	2.3	5.1	11.0
261	177	F R Group	177	–1	15.5	3.7	4.2	8.7
*174	100	Kwik-Fit Hldgs. 10p	104	–2	2.4	2.8	3.1	15.5
*725	509	Lucas Inds. £1	589	–8	25.0	2.9	5.7	6.9
*62	14	Spice 5p	16		[illegible]	0.4	–	–

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

MINES – Contd

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
247	69	Anglesey Mining 9p.	165	+5	–	–	–
166	18	Do Warrants	95	+5	–	–	–
32½	12	Anglo-Dominion	14		–	–	–
706	386	Bond Intl. Gold	588	–10	–	–	–
64	25	Butte Mining 10p	30		–	–	–
50	19¼	Colby Res Corp.	27		–	–	–

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

... all; ≠ ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	83	
Craig & Rose £1	430	
Finlay Pkg. 5p	58	
Holt (Jos) 25p	1340	–8

IRISH

Cap. 8½% Ln. 1991	£96¾	
9pc Cap Ln. 1996	£91½	–2
Fin. 13% 97/02	£110½	–½
Arnotts	485	
Carrol (P.J.)	163½	–2
Hall (R. & H.)	185	
Heiton Hldgs	100xd	+½
IRG	218	
United Drug	165	–1

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5½
BAT	67
BOC Grp.	44
BTR	37
Barclays	40
Blue Circle	28
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons.	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	34
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	28
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petm	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines	
Lonrho	28
RTZ	45

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	47.19	48.26	51.47	-0.11	1.04
(Accum Units)	5	48.56	49.66	52.97	-0.11	1.04
European Opps	5	71.59	71.84	76.62	-1.01	0.00
(Accum Units)	5	71.98	72.24	77.06	-1.01	0.00
Far Eastern Opps	5	136.84	137.02	146.15	-0.07	0.00
(Accum Units)	5	137.71	137.90	147.08	-0.08	0.00
Golden Opps	5	46.31	46.31xd	49.38	-0.34	0.00
(Accum Units)	5	47.63	47.63xd	50.80	-0.35	0.00
Intl Hi-Yield	5	57.56	58.10xd	61.97	-0.25	4.44
(Accum Units)	5	62.48	63.08xd	67.27	-0.28	4.44
Sanyo Japan Tst	5	72.87	72.87	77.72	+0.14	0.00
(Accum Units)	5	72.87	72.87	77.72	+0.14	0.00
Kangaroo	5	32.72	32.72	34.89	-0.13	1.50
(Accum Units)	5	32.91	32.91	35.09	-0.13	1.50
Oriental Income	5	34.22	34.22	36.49	-0.16	5.14
(Accum Units)	5	38.36	38.36	40.91	-0.18	5.14
Pacific Technology	5	59.18	59.18	63.12	+0.17	0.00
(Accum Units)	5	59.86	59.86	63.83	+0.17	0.00
Tiger	5	147.59	147.91	157.76	-0.35	0.71
(Accum Units)	5	149.89	150.22	160.22	-0.35	0.71
UK Hi-Yield	5	43.37	43.37	46.26	-0.11	4.93
(Accum Units)	5	49.59	49.59	52.89	-0.11	4.93
UK Opps	5	55.28	56.39	60.31	-0.41	1.67
(Accum Units)	5	59.95	61.15	65.40	-0.44	1.67

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Rd, Washington NE37 2SH 091 415 3034

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250
4 Hourly Pricing - 12 Noon Historic

Trades Union Unit Tst Mngrs (1200)H

Triton Fd Mngrs. Ltd. (1000)H

TSB Unit Trusts (1600)F

UTAM Ltd (1300)F

United Charities Unit Trusts (1000)H

Wardley Unit Tst Mngrs Ltd (1000)H

Waverley Unit Tst Mngmt Ltd

Wessex Asset Management (1330)F

Wilshire Financial Services Ltd (0905)F

Windsor Trust Mngrs Ltd (1200)F

Wright Seligman Fund Mngrs Ltd (1700)F

The Yorkshire Unit Tst Mngrs Ltd (1100)F

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
J. Rothschild Fund Managers Ltd				
Intl Exempt	145.3	147.0	—	1.42
Stewart Ivory & Co Ltd				
Salets PPP Jan 21	264.6	278.6	—	—
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Feb 1	102.42	108.40	—	3.82
(Accum Units)	103.04	109.08	—	3.82
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1128	1145	—	1.58
TR Exempt Nth Amer	900	913	—	3.57
TR Exempt Pac Basin	995	1006	—	0

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd
AA Friendly Sy Jan 12 177.0

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	104.8	110.4	-0.5	–
Managed Growth	141.2	148.7	-0.5	–
Managed Opportunity	145.5	153.2	-0.5	–
NFMC Target Financial	101.7	107.1	-0.9	–
Pension Funds				
Managed Cautionary	109.6	115.4	-0.4	–
Managed Growth	145.8	153.5	-0.7	–
Managed Opportunity	148.8	156.7	-0.6	–
NFMC Target Mngd Pens	1531.5	1612.2	-9.9	–

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	227.7	239.7	----	–
Managed Prospect Fund	191.0	201.1	----	–
Pens Managed	288.8	304.0	----	–
Pens UK Equity	345.9	364.2	----	–
Pens Overseas Equity	382.2	402.4	----	–
Pens Property	170.1	179.1	----	–
Pens Fixed Interest	176.5	185.8	----	–
Pens Index Linked	146.8	154.6	----	–
Pens Deposit	188.7	198.7	----	–
Harvester & P.R.P.				
UK Equity	151.1	159.1	----	–
Overseas Equity	136.8	144.0	----	–
Fixed Interest	120.5	126.9	----	–
Property	141.5	149.0	----	–
Index Linked	133.3	140.4	----	–
Deposit	130.9	137.8	----	–
Managed	145.5	153.2	----	–
With Profits	134.4	141.6	----	–

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	343.1	361.2	-1.4	–
UK Equity	440.9	464.2	-2.1	–
Overseas Eq.	351.0	369.5	-1.7	–
Americas	255.1	268.6	-0.7	–
Far East	403.5	424.8	-0.3	–
Property	220.2	231.8	-0.1	–
Fixed Int.	218.6	230.2	-0.8	–
Indexed Gilt	138.6	145.9	-0.6	–
Deposit	159.3	167.7	+0.2	–
Pension Fund (Accum Units)				
Managed	462.3	486.7	-1.9	–
UK Equity	547.1	575.9	-2.7	–
Overseas Eq.	568.1	598.1	-2.7	–
Americas	337.5	355.3	+0.2	–
Far East	673.0	708.5	+1.5	–
Property	270.4	284.7	-0.2	–
Fixed Int.	262.3	276.2	-0.7	–
Indexed Gilt	152.0	160.0	-0.6	–
Deposit	213.3	224.6	+0.3	–
NPI Pensions Management Ltd				
Managed Fund	1096.4	1116.0	.....	–

Prices February 1 Next dealing March 1

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683966

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	65.4	68.9	-0.2	–
Stock Market Mngd Fund	64.1	67.5	-0.3	–
Equity Fund	68.2	71.8	-0.3	–
International Fund	61.4	64.6	-0.3	–
European Fund	70.1	73.8	-1.0	–
North American Fund	56.1	59.0	-0.2	–
Pacific Fund	70.2	73.9	+0.1	–
Property Fund	85.8	90.3	----	–
Fixed Interest Fund	51.4	54.1	-0.1	–
Index linked Sec Fund	57.2	60.2	-0.3	–
Deposit Fund	60.8	64.1	+0.1	–
NUAM Retirement Plan				

Sharp (Albert E.) & Co.
12 Newhall Street, Birmingham B3 3ER 021 200 2244

	Bid Price	Offer Price	+ or −	Yield Gross
Man-Clerical Med	145.1	152.8	-0.4	–
Pens Man NM	672.6	708.0	-3.8	–

Siltala Fund Managers Limited
Siltala House, The Causeway, Bishop's Stortford, Herts. 0279 757696

Royal Bank of Canada Funds
RBC Offshore Fund Managers Ltd
PO Box 246, St Peter Port, Guernsey 0481 23021

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Intl Capital Fd	5	$54.78	54.78	59.48	(2)	–
Far East & Pacific Fd	5	$43.59	43.59	47.46	(6)	–
North America Fd	5	$13.33	13.33	14.38	(2)	–
Canadian Fd.	5	C$13.19	13.19	14.26	(2)	–
Intl Bond Fd	5	$12.07	12.07	12.77	(2)	2.58
European Fund	5	$12.62	12.62	13.68	(2)	–
British Fund	5	£5.18	5.18	5.61	(2)	–
RBC Intl Currencies Fd Ltd						

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

MANAGEMENT SERVICES

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Gartmore Luxembourg SA
23 Rue des Bruyeres L-1274 Howald Lux010 352 492041
Gartmore Pantheon Fund

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Nth Amer Equity		$–	1.40		.....	–
British Equity		£–	1.01		.....	–
Nordic Equity		SK–	11.10		-0.12	–
Cont'l European Equity		DM–	17.10		-0.06	–
Japan Equity		Y–	541.00		+2.00	–
Pacific Equity		Y–	376.00		+3.00	–
Developing Mkts		$–	1.02		+0.01	–
Natural Resources		$–	2.09		+0.02	–
W'wide Recovery		$–	1.59		-0.01	–
Intl Equity		$–	1.35		.....	–
Dollar Bond		$–	1.96		.....	–
Sterling Bond		£–	1.00		.....	–
European Currency Bond		Ecu–	1.46		.....	7.43
Intl Curr Bond		$–	2.09		.....	–
Dollar Reserve		$–	2.03		+0.01	–
Sterling Reserve		£–	1.04		.....	–
Deutschmark Reserve		DM–	5.05		+0.05	–
Yen Reserve		Y–	505.00		+1.00	–

Henderson Management SA
21-25 Allee Scheffer L-2520 Luxembourg 01-638 5757 or 010-352 462232
Henderson Horizon Fund

		Bid Price	Offer Price	+ or -	Yield
Japanese Portfolio	$–	15.33	16.19	-0.07	–
Japan Smlr Cos P'flio	$–	22.83	24.11	+0.26	–
Pacific Portfolio	$–	12.12	12.82	-0.05	–
Nth American P'folio	$–	4.60	4.87		–
European Portfolio	$–	8.76	9.26	-0.12	–
UK Portfolio	$–	6.12	6.48		–
Global Portfolio	$–	9.91	10.47	-0.04	–
Fixed Int Portfolio	$–	9.12	9.58	-0.03	–
Dollar Liquidity P'folio	$–	0.8520	0.8542		–
Stlg Liquidity P'folio	£–	1.1685	1.1685		–

Hill Samuel Investment Services Intl SA
Marktgasse 63/66, 3001 Berne, Switzerland 224051
Hill Samuel Global Portfolio

	Bid Price	Offer Price	+ or -	Yield
Global Equity	$9.47		.....	–
Global Bond	$9.33		.....	–
Global Managed	$9.40		.....	–
Sterling Fixed Int	£9.46		.....	–
European Fixed Int	DM89.00		.....	–

HM Financial Mgmt Intl Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Currency	16.549	6.881	-0.001	6.06

HM Portfolio Selection Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Conscience	£1.066	1.133	-0.003	1.34
Far East Gwth	$1.400	1.489	+0.001	0.00
Smaller Co's	£0.987	1.050	-0.002	1.12
Special Sits	£0.995	1.058	-0.002	0.75
Intl Bond	$0.895	0.952	-0.001	5.56
American Fund	£1.909	2.030	-0.001	2.28
American Smaller Co.	$1.168	1.242	+0.005	0.00
Australian Fund	£1.580	1.680	-0.022	1.82
British Fund	£1.529	1.626	-0.010	5.32
European Fund	£2.199	2.339	-0.036	0.98
Gold Fund	£0.810	0.861	-0.007	0.00
Hong Kong Fund	£1.585	1.686	-0.009	5.47
International Fund	£1.442	1.534	-0.005	0.34
Japanese Fund	£3.146	3.346	+0.001	0.00
Japan Smaller Cos	£5.359	5.701	+0.008	0.00
Singapore & Malaysia	£1.546	1.644	+0.011	0.00
Dollar Fixed Interest	$0.994	1.057	+0.003	6.92
Sterling Fixed Int	£0.898	0.955	-0.003	11.54
Deutschmark Currency		DM5.028	.....	2.36
Dollar Currency		$1.005	.....	4.91
Sterling Currency		£1.030	.....	10.48
Yen Currency		Y200.8	.....	1.40
Managed Currency	£0.991	1.054	.....	6.94

Nikko Capital Mngt (Europe) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Index Fund	Y4,133	4,174	.....	–
New Generation Fd. $	$23.45	23.69	.....	–
Japan Index Alpha	Y12,663	12,855	.....	–
Jap Sector Rotation	Y10,429	10,583	.....	–

Strongbold Asset Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Tech and Comms	£11.65	12.36	.....	–
Pacific Basin Fd	$115.33	122.38	.....	–
Western European	$19.95	21.25	.....	–

Tyndall International (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Optimiser	£1.25	1.33	.....	–
Hi Yield Bond	63.0	66.3	+0.5	15.08
Internat. Spec. Sits	53.2	55.9	-0.3	–
Marengo Fd	91.2	95.9	-0.2	–

U.S. Treasury Securities Fund Ltd

Nomura Asia Europe Fund

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Feb 12		$11.21	-0.06	–

Nomura Dragon Global Fund

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Feb 12		$10.94	-0.01	–

Nomura Growth Fund SA

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Feb 12		Y17,914	-24	–

Nomura Prudential Fd Pt II

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Feb 12		$15.18	-0.02	–

Nomura Prudential Global Portfolio

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Feb 12		$15.12	-0.07	–

Tyndall International (Bermuda) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
American Special Sits	$43.82	46.03	+0.04	–
Capital Protection	$10.20	10.71	.....	–
Commodity Feb 8	$26.43	27.76	.....	–
Eurobond	$28.59	30.03	-0.06	–
Money Feb 12	$34.06	35.77	+0.01	6.06
Mortgage Feb 8	C$13.72	14.41	.....	–
North American	$36.88	38.73	+0.01	–
Overseas	$30.18	31.69	-0.06	–
Pacific Gold	$5.56	5.85	-0.10	–
Tiger	$44.67	46.92	-0.01	–

US Pacific Stock Fund

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

DUBLIN (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar hit by Drexel fears

DREXEL BURNHAM Lambert's announcement that it is seeking a major investor or merger partner renewed fears about the health of the US financial sector and pushed the dollar lower yesterday. Apart from this news the market had little on which to focus, and trading in the main currencies was rather subdued.

At the close in London the dollar had fallen to DM1.6695 from DM1.6750; to Y144.20 from Y145.15; to SFr1.4960 from SFr1.4965; and to FFr5.6800 from FFr5.6925. The dollar's index fell to 66.9 from 67.1.

The D-Mark was quiet, awaiting proposals from the West German Government on monetary union. These will be put to Mr Hans Modrow, the East German Prime Minister, when he visits Bonn today. After the recent euphoria surrounding the D-Mark, on the potential advantages to West Germany from developments in eastern Europe, dealers took a more cautious view yesterday. Falling West German Government bond prices - on the inflationary dangers from German unity - have failed to have a negative impact on the D-Mark so far. The prospect of higher interest rates has supported the D-Mark, but the sharp bond fall is now casting a shadow over the currency.

Within the European Monetary System the D-Mark held steady, easing against the highest placed Italian lira. The D-Mark fell to L743.95 from L744.00 at the London close, but improved against the French franc, rising to FFr3.4022 from FFr3.3985.

Sterling showed little reaction to UK economic news on retail sales and producer prices. The pound rose 30 points to $1.6960 and improved to SFr2.5375 from SFr2.5325, but fell to DM2.8325 from DM2.8350; to Y244.50 from Y245.75; and to FFr9.6325 from FFr9.6375. Sterling's index closed unchanged at 89.4.

The South African financial rand fell sharply following a statement by Mr Nelson Mandela, leader of the African National Congress, supporting the policy of nationalising important sectors of the South African economy.

In Johannesburg the financial rand began firm on optimism after Mr Mandala's release from prison. The dollar opened at R3.21, against R3.33 on Friday, but in confused trading rose to around R3.60 at the close. At the finish in London the financial rand remained depressed, but the dollar had eased to R3.54.

Interest rate factors hit the Canadian dollar and kept the Australian dollar nervous. Selling of the Canadian currency followed Friday's comment by Mr Brian Mulroney, the Canadian Prime Minister, that interest rates should fall after the Budget on February 20. Support for the currency was seen from the Bank of Canada and the Bank of England yesterday.

A further round of monetary easing is expected ahead of this year's Australian Federal elections. The Australian dollar closed at 75.25 US cents in London, against 75.30 cents earlier in Sydney.

EURO-CURRENCY INTEREST RATES

Feb 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14¾	15⅛-14⅞	15¼-15⅛	15⅜-15¼	15½-15⅜	15¾-15⅝
US Dollar	8⅜-8¼	8¼-8⅛	8¼-8⅛	8⅜-8¼	8⅜-8¼	8½-8⅜
Can. Dollar	12⅝-12⅜	12½-12⅜	12½-12⅜	12½-12⅜	12⅜-12¼	12-11¾
D. Guilder	8⅞-8⅝	8⅞-8⅝	8⅞-8¾	9⅛-8⅞	9⅛-9	9⅛-9
Sw. Franc	9-8¾	9⅛-9	9⅛-9	9⅜-9¼	9⅜-9¼	9⅜-9¼
Deutschmark	8-7¾	8-7¾	8¼-8⅛	8⅝-8½	9⅛-8⅞	9⅜-9¼
Fr. Franc	10⅝-10½	10⅝-10½	10¾-10⅝	11¼-11⅛	11⅜-11¼	11⅝-11½
Italian Lira	13-11	13½-12½	13¼-12¾	13¼-12¾	13¼-12¾	13¾-13¼
B. Fr. (Fin)	10½-10	10½-10⅜	10⅝-10½	10¾-10⅝	10¾-10⅝	10⅞-10¾
B. Fr. (Con)	10¼-9¾	10⅝-10½	10¾-10⅝	10¾-10½	11-10⅞	11⅛-10⅞
Yen	6½-6⅜	6⅝-6½	6¾-6⅝	7⅛-7	7¼-7⅛	7⅜-7¼
D.Krone	12¾-11¾	12⅝-12⅜	12⅝-12⅜	12⅞-12⅝	12⅞-12⅝	12⅞-12⅝
Asian $Sing	8¼-8⅛	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅝-8½

Long term Eurodollars: two years 8⅞-8¾ per cent; three years 9-8⅞ per cent; four years 9⅛-9 per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

Feb.12	Latest	Previous Close
£ Spot	1.6900-1.6910	1.6960-1.6970
1 month	0.87-0.86pm	0.87-0.86pm
3 months	2.72-2.69pm	2.72-2.69pm
12 months	9.40-9.30pm	9.47-9.40pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Feb.12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6920 - 1.7000	1.6955 - 1.6965	0.88-0.86cpm	6.16	2.74-2.71pm	6.43
Canada	2.0330 - 2.0430	2.0390 - 2.0400	0.39-0.29cpm	2.00	1.19-1.05pm	2.20
Netherlands	3.18¾ - 3.20	3.18¾ - 3.19¾	1½-1⅜cpm	5.40	4⅜-4¼pm	5.56
Belgium	59.05 - 59.55	59.05 - 59.15	21-19cpm	4.06	62-58pm	4.06
Denmark	10.92¾ - 10.96½	10.93½ - 10.94½	2⅝-2⅛orepm	2.61	6¾-6⅛pm	2.42
Ireland	1.0660 - 1.0720	1.0660 - 1.0670	0.31-0.26cpm	3.21	0.93-0.83pm	3.30
W. Germany	2.82¾ - 2.84	2.83 - 2.83½	1½-1⅜pfpm	6.09	4¼-4⅛pm	6.00
Portugal	249.05 - 250.75	249.05 - 250.05	7-24cdis	-0.75	117-162dis	-2.24
Spain	182.95 - 184.10	182.95 - 183.25	1-5cdis	-0.20	14-6pm	0.22
Italy	2104¾ - 2111¼	2106 - 2107	6-1lirepm	1.99	14-6pm	1.90
Norway	10.91¼ - 10.96¼	10.93 - 10.94	3⅝-2⅞orepm	3.43	9⅝-9⅛pm	3.43
France	9.62 - 9.65	9.62¾ - 9.63¾	3¼-2⅞cpm	3.74	8⅝-8⅛pm	3.63
Sweden	10.32 - 10.38¼	10.36½ - 10.37½	N/A	N/A	N/A	N/A
Japan	244 - 245½	244 - 245	1⅝-1½ypm	7.67	4⅞-4⅝pm	7.67
Austria	19.91 - 19.99	19.91 - 19.94	11⅛-10⅛gropm	6.40	32½-29½pm	6.22
Switzerland	2.53½ - 2.54½	2.53¾ - 2.54¾	1¼-1cpm	5.02	3⅛-3pm	4.83
ECU	1.3835 - 1.3895	1.3885 - 1.3895	0.42-0.39cpm	3.50	1.21-1.16pm	3.41

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 59.05-59.15 Six-month forward dollar 5.34-5.27cpm 12 months 9.70-9.60pm

STERLING INDEX

		Feb.12	Previous
8.30	am	89.5	89.2
9.00	am	89.5	89.2
10.00	am	89.6	89.1
11.00	am	89.6	89.2
Noon		89.5	89.2
1.00	pm	89.5	89.2
2.00	pm	89.4	89.2
3.00	pm	89.4	89.2
4.00	pm	89.4	89.4

CURRENCY RATES

Feb.12	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.27296	1.39029
U.S Dollar	7	1.32863	1.21917
Canadian $	12.29	1.58851	1.46496
Austrian Sch.	6½	15.6021	14.3643
Belgian Franc	10¼	46.4854	42.6527
Danish Krone	10½	8.56568	7.87768
Deutsche Mark	6.00	2.21695	2.03906
Neth.Guilder	7.00	2.50181	2.29899
French Franc	10¼	7.54795	6.93587
Italian Lira	13½	1651.16	1516.65
Japanese Yen	4¼	192.386	176.109
Norway Krone	8	8.56966	7.87097
Spanish Peseta	-	143.770	132.036
Swedish Krona	9½	N/A	7.46377
Swiss Franc	6.00	1.98032	1.82643
Greek Drach.	20½	N/A	192.227
Irish Punt	-	N/A	0.769290

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Feb.9

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6920 - 1.7000	1.6955 - 1.6965	0.88-0.86cpm	6.16	2.74-2.71pm	6.43
Ireland†	1.5805 - 1.5890	1.5870 - 1.5880	0.42-0.37cpm	2.99	1.42-1.32pm	3.48
Canada	1.1985 - 1.2035	1.2020 - 1.2030	0.40-0.44cdis	-4.19	1.26-1.32dis	-4.29
Netherlands	1.8780 - 1.8900	1.8820 - 1.8830	0.11-0.14cdis	-0.80	0.41-0.46dis	-0.92
Belgium	34.80 - 35.05	34.80 - 34.90	3.00-9.00cdis	-2.06	15.00-25.00dis	-2.28
Denmark	6.43¼ - 6.47½	6.44¼ - 6.45¼	1.85-2.05oredis	-3.62	6.20-6.70dis	-4.00
W. Germany	1.6645 - 1.7000	1.6690 - 1.6700	0.02-0.04pfdis	-0.22	0.18-0.21dis	-0.47
Portugal	147.40 - 147.60	147.40 - 147.50	80-90cdis	-6.92	305-330dis	-8.62
Spain	108.00 - 108.55	108.10 - 108.20	50-55cdis	-5.83	175-180dis	-6.56
Italy	1239 - 1247	1241¾ - 1242¼	3.00-5.50liredis	-4.11	12.00-16.00dis	-4.51
Norway	6.43¼ - 6.46½	6.44½ - 6.45	1.30-1.55oredis	-2.65	4.55-4.95dis	-2.94
France	5.66½ - 5.70½	5.67¾ - 5.68¼	1.07-1.13cdis	-2.32	3.94-4.04dis	-2.81
Sweden	N/A - N/A	6.11¼ - 6.11¾	N/A	N/A	N/A	N/A
Japan	144.00 - 144.65	144.15 - 144.25	0.19-0.17ypm	1.49	0.44-0.42pm	1.19
Austria	11.73¼ - 11.80	11.76 - 11.76½	0.40dis-par	-0.20	0.40-1.60dis	-0.34
Switzerland	1.4915 - 1.5010	1.4955 - 1.4965	0.13-0.16cdis	-1.16	0.52-0.56dis	-1.44
ECU	1.2160 - 1.2225	1.2210 - 1.2220	0.27-0.25cpm	2.55	0.93-0.90pm	3.00

Commercial rates taken towards the end of London trading.† UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 34.80-34.90.

CURRENCY MOVEMENTS

Feb.12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.4	-22.0
U.S Dollar	66.9	-10.9
Canadian Dollar	100.8	-1.2
Austrian Schilling	109.9	+12.2
Belgian Franc	110.0	-3.3
Danish Krone	109.3	+3.8
Deutsche Mark	119.1	+25.3
Swiss Franc	108.0	+16.5
Guilder	114.8	+16.6
French Franc	103.7	-12.5
Lira	100.4	-18.8
Yen	128.9	+59.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100**Rates are for Feb.9.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6527	+1.15	+1.15	±1.5508
Danish Krone	7.79845	7.87768	+1.02	+1.02	±1.6453
German D-Mark	2.04446	2.03906	-0.26	-0.26	±1.1762
French Franc	6.85684	6.93587	+1.15	+1.15	±1.3618
Dutch Guilder	2.30358	2.29899	-0.20	-0.20	±1.5272
Irish Punt	0.763159	0.769290	+0.80	+0.80	±1.6689
Italian Lira	1529.70	1516.65	-0.85	-0.85	±1.5162
Spanish Peseta	132.899	132.036	-0.64	-0.64	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency Adjustment calculated by Financial Times.

OTHER CURRENCIES

Feb.12	£	$
Argentina	3127.65 - 3214.30	1845.00 - 1895.00
Australia	2.2465 - 2.2485	1.3265 - 1.3275
Brazil	36.2095 - 36.3780	21.3600 - 21.6700
Finland	6.6725 - 6.6935	3.9400 - 3.9500
Greece	265.00 - 269.50	156.00 - 158.55
Hong Kong	13.2400 - 13.2530	7.8100 - 7.8120
Iran	117.00*	69.25*
Korea(Sth)	1160.50 - 1179.15	686.30 - 691.70
Kuwait	0.49160 - 0.50840	0.28980 - 0.29950
Luxembourg	59.05 - 59.15	34.80 - 34.90
Malaysia	4.5810 - 4.5920	2.7035 - 2.7055
Mexico	4621.10 - 4630.65	2726.00 - 2730.00
N. Zealand	2.8500 - 2.8550	1.6810 - 1.6840
Saudi Ar.	6.3620 - 6.3675	3.7500 - 3.7510
Singapore	3.1555 - 3.1625	1.8615 - 1.8645
S. Af (Cm)	4.3080 - 4.3190	2.5430 - 2.5440
S. Af (Fn)	5.9495 - 6.0555	3.5090 - 3.5715
Taiwan	44.25 - 44.35	26.10 - 26.15
U.A.E.	6.2295 - 6.2350	3.6720 - 3.6730

*Selling rate

EXCHANGE CROSS RATES

Feb.12	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.696	2.833	244.5	9.633	2.538	3.193	2107	2.040	59.10
$	0.590	1	1.670	144.2	5.680	1.496	1.883	1242	1.203	34.85
DM	0.353	0.599	1	86.30	3.400	0.896	1.127	743.7	0.720	20.86
YEN	4.090	6.937	11.59	1000.	39.40	10.38	13.06	8618	8.344	241.7
F Fr.	1.038	1.761	2.941	253.8	10.	2.635	3.315	2187	2.118	61.35
S Fr.	0.394	0.668	1.116	96.34	3.796	1	1.258	830.2	0.804	23.29
H Fl.	0.313	0.531	0.887	76.57	3.017	0.795	1	659.9	0.639	18.51
Lira	0.475	0.805	1.345	116.0	4.572	1.205	1.515	1000.	0.968	28.05
C $	0.490	0.831	1.389	119.9	4.722	1.244	1.565	1033	1	28.97
B Fr.	1.692	2.870	4.794	413.7	16.30	4.294	5.403	3565	3.452	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

UK rates stay firm

THERE WAS a firmer tone to interest rates on the London money market yesterday as the latest economic news gave little prospect of an early cut in UK bank base rates. Retail sales fell a provisional 1.3 per cent in January, but figures for the last three-months indicated no overall easing in demand. A CBI/Financial Times distributive trades survey also suggested that retail sales are stubbornly strong, in spite of a long period of high interest rates. Data on UK producer prices were much as expected.

Three-month sterling interbank firmed to 15⁷⁄₁₆-15⁵⁄₁₆ per cent from 15⅜-15¼, and 12-month rose to 15¾-15⅝ from 15⅝-15½. June short sterling futures opened weaker at 85.29 on Liffe, following the CBI/FT survey, and touched a low of 85.20, before closing at 85.26, compared with 85.33 on Friday.

Credit conditions were tight again in London, partly because money available from a maturing gilt stock - shown in the Exchequer transactions figure - failed to balance the large number of bills going back into the market as three of last week's four repurchase agreements expired.

The Bank of England initially forecast a money market credit shortage of £1,050m, but revised this to £1,000m at noon, and back to £1,050m in the afternoon. Total help of £1,008m was provided.

An early round of help was offered, and at that time the authorities bought £438m bank bills outright, in band 2 at 14¾ per cent. Before lunch another £272m bank bills were purchased, in band 2 at 14¾ per cent. In the afternoon the Bank of England bought £298m bank bills, in band 2 at 14¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,217m, with the unwinding of bill repurchase agreements absorbing £1,547m, and bank balances below target £15m. These outweighed Exchequer transactions adding £1,220m to liquidity and a fall in the note circulation of £510m.

In Paris the Bank of France left its money market intervention rate at 10 per cent and the five to 10-day repurchase rate at 10¾ per cent, when injecting funds into the banking system via a securities repurchase tender.

A net FFr14.5bn was drained at the tender, as the central bank accepted bids of FFr100.7bn, but an earlier pact of FFr115.2bn expired.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.9) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8⅜	offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

(Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10	One month	7.63	Three year	8.26
Broker loan rate	9¾	Two month	7.91	Four year	8.31
Fed.funds	8¼	Three month	7.95	Five year	8.32
Fed.funds at intervention	8¼	Six month	8.06	Seven year	8.35
		One year	7.98	10-year	8.33
		Two year	8.23	30-year	8.38

Feb.9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.85	7.40-7.50	7.90-8.05	8.00-8.20	8.45-8.65	8.00
Paris	10⅝-10¾	10¾-10⅞	-	11⅛-11¼	-	9.50
Zurich	8⅞-9¼	9⅛-9¼	-	9⅛-9⅜	-	-
Amsterdam	8.81-8.94	9.00-9.10	-	9.15-9.25	-	-
Tokyo	6⅞-6⅞	6⅞-6¾	-	6⅞-7⅛	-	-
Milan	-	13⅛-13⅜	-	13¼-13⅜	-	-
Brussels	5.05	10½-10⅝	-	10⅝-10⅝	-	-
Dublin	11¼-11⅜	11⅛-11⅜	11¼-11½	11¼-11⅜	11⅝-11⅞	-

LONDON MONEY RATES

Feb 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅞	14⅞	15⅛	15⅜	15¼	15⅜
Interbank Bid	4	14¾	15⅛	15¼	15¼	15¼
Sterling CDs.	-	-	15⅛	15¼	15¼	15
Local Authority Deps.	14¾	14¾	15	15⅛	15⅛	15⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¾	14¾	14¾	14⅝	-	-
Company Deposits	-	-	15⅛	15⅛	15⅛	15⅛
Finance House Deposits	-	-	15⅛	15⅛	15⅛	15⅛
Treasury Bills (Buy)	-	-	14⅞	14⅝	-	-
Bank Bills (Buy)	-	-	14¾	14¾	14¾	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14¾	-
Dollar CDs.	-	-	8.25	8.25	8.30	8.45
SDR Linked Dep. Offer	-	-	9	9¼	9¼	9½
SDR Linked Dep. Bid	-	-	8¾	9⅛	9⅛	9⅜
ECU Linked Dep. Offer	-	-	11	11⅛	11½	11½
ECU Linked Dep. Bid	-	-	10⅞	11⅛	11⅜	11⅜

Treasury Bills (sell); one-month 14⅜ per cent; three months 14⅜ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills: Average tender rate of discount 14.4955 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1990. Agreed rates for period Februay 26 1990 to March 25, 1990, Scheme I: 15.89 p.c. Schemes II & III: 16.43 p.c. Reference rate for period Dec.30,1989 to January 31, 1990, Scheme IV&V: 15.194 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from February 1, 1990: Bank Deposit Rates for sums at seven days' notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
83	3-50	5-13	0	0-25
84	2-55	4-22	0-05	0-34
85	1-62	3-36	0-12	0-48
86	1-11	2-52	0-25	1-00
87	0-37	2-15	0-51	1-27
88	0-15	1-43	1-29	1-55
89	0-06	1-15	2-20	2-27
90	0-02	0-55	3-16	3-03

Estimated volume total, Calls 1338 Puts 1981
Previous day's open int. Calls 26595 Puts 17218

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
91	3-36	3-61	0	0-33
92	2-38	3-13	0-02	0-49
93	1-42	2-31	0-06	1-03
94	0-54	1-57	0-18	1-29
95	0-20	1-22	0-48	1-58
96	0-07	0-59	1-35	2-31
97	0-03	0-40	2-31	3-12
98	0-01	0-27	3-29	3-63

Estimated volume total, Calls 399 Puts 435
Previous day's open int. Calls 10173 Puts 5223

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8100	1.91	2.81	0.31	1.25
8150	1.52	2.50	0.42	1.44
8200	1.17	2.21	0.57	1.65
8250	0.89	1.94	0.79	1.88
8300	0.66	1.70	1.06	2.14
8350	0.47	1.48	1.37	2.42
8400	0.35	1.29	1.75	2.73
8450	0.24	1.11	2.14	3.05

Estimated volume total, Calls 5464 Puts 3579
Previous day's open int. Calls 50239 Puts 45898

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Puts-settlements Feb	Puts-settlements MAR
145	24.60	24.60	0	0
150	19.60	19.60	0	0
155	14.60	14.60	0	0.03
160	9.60	9.60	0	0.26
165	4.60	4.72	0.03	1.17
170	0.75	1.94	1.28	3.39
175	0.01	0.58	5.54	7.03
180	0	0.12	10.53	11.57

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 85 Puts 1

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9075	0.94	0.96	0	0.04
9100	0.69	0.74	0	0.07
9125	0.45	0.55	0.01	0.13
9150	0.22	0.38	0.03	0.21
9175	0.07	0.22	0.13	0.30
9200	0.02	0.13	0.33	0.46
9225	0.01	0.07	0.57	0.65
9250	0	0.04	0.81	0.87

Estimated volume total, Calls 290 Puts 60
Previous day's open int. Calls 5821 Puts 7933

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8400	0.91	1.31	0.01	0.05
8425	0.67	1.09	0.02	0.08
8450	0.44	0.89	0.04	0.13
8475	0.24	0.69	0.09	0.18
8500	0.09	0.51	0.19	0.25
8525	0.04	0.37	0.39	0.36
8550	0.02	0.26	0.62	0.50
8575	0.01	0.18	0.86	0.67

Estimated volume total, Calls 2429 Puts 1242
Previous day's open int. Calls 57694 Puts 28465

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	86-25	87-00	86-13	87-06
Jun	87-26	87-23	87-19	88-06
Sep				

Estimated volume 29385 (24590)
Previous day's open int. 38601 (38446)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	94-18	95-03	94-18	94-13
Jun	94-14	94-22	94-21	94-07
Sep				

Estimated volume 3151 (4094)
Previous day's open int. 5942 (5905)

6% NOTIONAL GERMAN GOVT. BOND
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	82.60	83.98	82.14	83.96
Jun	82.56	83.50	82.15	84.01
Sep	82.81			84.26

Estimated volume 65297 (66415)
Previous day's open int. 50217 (50916)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Mar	96.85	96.85	96.79	96.63
Jun	96.84	96.85	96.71	96.60
Sep				

Estimated volume 93 (407)
Previous day's open int. 902 (876)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Mar	84.90	84.92	84.87	84.93
Jun	85.26	85.30	85.20	85.33
Sep	85.92	85.98	85.85	86.02
Dec	86.42	86.49	86.39	86.56
Mar	86.85	86.89	86.82	87.00
Jun	87.23	87.29	87.21	87.40
Sep	87.59	87.62	87.55	87.72
Dec	87.88	87.90	87.84	88.01

Est. Vol. (inc. figs. not shown) 40462 (34844)
Previous day's open int. 147496 (146220)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Mar	91.69	91.69	91.66	91.65
Jun	91.67	91.68	91.64	91.57
Sep	91.63	91.64	91.61	91.53
Dec	91.43	91.44	91.40	91.33
Mar	91.34	91.33	91.32	91.25
Jun	91.25	91.25	91.25	91.15
Sep	91.21			91.13
Dec	91.14			91.05

Est. Vol. (inc. figs. not shown) 8281 (6941)
Previous day's open int. 38920 (39082)

THREE MONTH EUROMARK
DM 1m points of 100%

	Close	High	Low	Prev.
Mar	91.15	91.22	91.09	91.23
Jun	90.96	91.05	90.85	91.05
Sep	90.92	90.98	90.83	91.02
Dec	90.96	91.00	90.86	91.06
Mar	91.12	91.15	91.09	91.20
Jun	91.30			91.42
Sep	91.42			91.60
Dec	91.54			91.70

Estimated volume 19589 (21156)
Previous day's open int. 43331 (41093)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Mar	88.56	88.56	88.50	88.58
Jun	88.52	88.54	88.50	88.57
Sep	88.85	88.86	88.81	88.90
Dec	89.09			89.10

Estimated volume 570 (633)
Previous day's open int. 2473 (2450)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Mar	2287.0	2323.0	2286.0	2319.0
Jun	2330.5	2357.0	2330.0	2362.5
Sep	2375.5	2397.0	2397.0	2407.0

Estimated volume 5515 (4781)
Previous day's open int. 22691 (22163)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6960	1.6873	1.6688	1.6429	1.5995

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.6838	1.6856	1.6816	1.6840
Jun	1.6596	1.6596	1.6556	1.6574
Sep	-	1.6340	1.6320	1.6334

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar	94-28	95-01	94-21	94-27
Jun	94-24	94-28	94-17	94-23
Sep	94-20	94-28	94-11	94-17
Dec	94-12	94-13	94-05	94-09
Mar	-	-	-	94-01
Jun	-	-	-	93-23
Sep	-	-	-	93-14
Dec	-	-	-	93-06
Mar	-	-	-	92-31
Jun	-	-	-	92-24
Sep	-	-	-	92-17

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	92.49	92.50	92.43	92.44
Jun	92.67	92.68	92.63	92.65
Sep	92.73	92.74	92.73	92.73
Dec	-	-	-	92.56
Mar	-	-	-	92.38

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.6671	0.6678	0.6655	0.6699
Jun	0.6646	0.6656	0.6630	0.6674
Sep	0.6623	0.6636	0.6620	0.6658
Dec	-	-	-	0.6661

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.600	9.40	9.35	9.30	9.40	-	0.03	0.46	1.89
1.625	6.90	6.85	6.80	7.18	0.05	0.25	0.94	2.74
1.650	4.45	4.48	4.69	5.37	0.06	0.82	1.69	3.80
1.675	2.00	2.62	3.04	3.95	0.21	1.67	2.66	5.10
1.700	0.45	1.43	1.95	2.81	1.35	2.89	4.08	6.62
1.725	0.01	0.69	1.23	2.05	3.18	4.66	5.81	8.34
1.750	-	0.27	-	1.42	5.62	6.75	-	10.22

Previous day's open int: Calls 384,856 Puts 440,517 (All currencies)
Previous day's volume: Calls 19,164 Puts 20,411 (All currencies)

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar	0.6936	0.6947	0.6930	0.6917
Jun	0.6954	0.6964	0.6948	0.6936
Sep	0.6975	0.6977	0.6972	0.6957

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Mar	0.5979	0.5989	0.5963	0.5994
Jun	0.5968	0.5980	0.5952	0.5985
Sep	0.5945	0.5960	0.5945	0.5979

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	91.67	91.68	91.66	91.66
Jun	91.67	91.67	91.63	91.64
Sep	91.62	91.62	91.60	91.61
Dec	91.41	91.42	91.40	91.41
Mar	91.32	91.35	91.31	91.34
Jun	91.23	91.25	91.22	91.25
Sep	91.19	91.22	91.18	91.21
Dec	91.12	91.14	91.11	91.14

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar	333.90	334.80	333.40	334.40
Jun	337.60	338.70	337.35	338.35
Sep	342.00	342.70	341.90	342.55

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int.
March	99.86	99.72	-0.36	99.96	99.62	10.05	40,110
June	100.26	100.08	-0.38	100.26	99.98	9.99	21,446
September	100.36	100.36	-0.20	100.36	100.36	9.97	5,466
December	-	-	-	-	-	-	3,052

Estimated volume 79,996 Total Open Interest 90,074

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls Sept.	Puts March	Puts June	Puts Sept.
98	-	-	-	0.13	0.75	-
99	1.01	-	-	0.35	1.04	-
100	0.40	1.43	-	0.70	1.41	-
101	0.12	1.03	-	1.44	1.90	-
102	0.03	0.70	-	2.27	2.49	-
103	0.02	0.44	-	3.25	3.23	-
Open int	174,335	71,984	5,329	129,018	60,926	315

Estimated volume 29,991 Total Open Interest 441,907

THREE-MONTH PIBOR FUTURES (MATIF)
(Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
March	88.81	88.70	-0.11	88.83	88.69	11.30	6,581
June	88.83	88.72	-0.11	88.86	88.70	11.29	7,749
September	88.97	88.87	-0.10	88.97	88.87	11.13	2,170
December	89.00	89.00	-0.05	89.00	89.00	10.95	209

Estimated volume 10,834 Total Open Interest 16,709

CAC-40 FUTURES (MATIF)
Stock Index

	Open	Close	Change	High	Low	Open int.
February	1880.0	1860.5	-32.5	1882.0	1860.0	5,279
March	1879.0	1860.0	-33.0	1880.0	1859.0	1,217
April	1885.0	1885.0	-10.0	1885.0	1885.0	173
June	-	-	-	-	-	17

Estimated volume 4,162 Total Open Interest 6,686

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williams Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Sarewise 8.5%. Top Tier-£10,000+ instant access 12.8% & Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

COMPANY NOTICES

NOTICE TO HOLDERS OF WARRANTS
TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF

JAPAN STORAGE BATTERY CO., LTD.

U.S.$50,000,000 5⅛ per cent. Guaranteed Notes Due 1992
with Warrants
("Warrants – 1992")
and
U.S.$100,000,000 3⅞ per cent. Guaranteed Notes Due 1993
with Warrants
("Warrants – 1993")

NOTICE IS HEREBY GIVEN that, as a result of a meeting held on 29th January, 1990, the Board of Directors of Japan Storage Battery Co., Ltd. resolved to make a free distribution of shares of its common stock to the shareholders of records as of 31st March, 1990 (Japan time), at the rate of 0.03 share for each share held. The Subscription Prices of the above-mentioned Warrants will be adjusted pursuant to Clause 3 of the Instrument dated 17th November, 1988 and 9th November, 1989, respectively as follows:

1) Subscription Price before the adjustment:

Warrants – 1992	Yen	626
Warrants – 1993	Yen	1,230

2) Subscription Price after the adjustment:

Warrants – 1992	Yen	607.80
Warrants – 1993	Yen	1,194.20

3) Effective date of the adjustment:
1st April, 1990 (Japan time)

JAPAN STORAGE BATTERY CO., LTD.
By: The Mitsubishi Bank, Ltd.
as Principal Paying Agent

13th February, 1990

STATE BANK OF NEW SOUTH WALES
Aus. $60,000,000 Puttable
Adjustable Rate Notes due 1994

In accordance with the terms and conditions of the Notes, the interest rate for the period 2nd March, 1990 to 4th March, 1991 has been fixed at 15% per annum. The interest payable on 4th March, 1991 against Coupon 2 will be Aus.$150.00 per Aus.$1,000 nominal and Aus.$1,500.00 per Aus.$10,000 nominal.

Agent Bank and
Principal Paying Agent

ROYAL BANK OF CANADA

LEGAL NOTICES

FLASH GROUP LIMITED
FLASHLABS LIMITED
CITY FLASH LIMITED
MASTERCHANGE LIMITED
THE NEWBOLD WELLS ORGANISATION LIMITED
NEWBOLD WELLS OVERSEAS LIMITED
THE NEWBOLD WELLS COMPANY LIMITED
COPELANDS BASEBOARD LIMITED

Registered number: 2230207
1490759
2130469
2048647
823641
1774085
840613
2134825

Nature of business: Printing and allied trades.
Trade classification: 10
Date of appointment of joint administrative receivers: 2 February 1990.
Name of person appointing the joint administrative receivers: National Westminster Bank Plc
Christopher John Hughes and John Michael Thompson
Joint Administrative Receivers
(Office holder nos. 2041 and 5288) of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ.

LEGAL NOTICE

NO. 008138
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF THE ALBERT FISHER GROUP PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

Notice is hereby given that the order of the High Court of Justice (Chancery Division) dated 29th January 1990 confirming the reduction of the amount standing to the credit of the share premium account of the above named company by £55,000,000 was registered by the Registrar of Companies on 7th February 1990.

DATED this 13th day of February 1990
Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA

TENDACARE
INTERNATIONAL PLC
REGISTERED NUMBER: 2126796

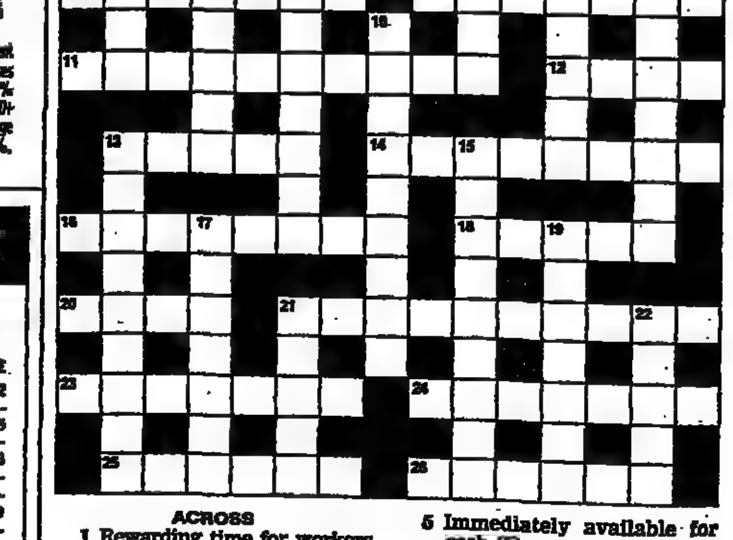
Former company name Tendacare International (UK) Ltd
Trading name:- Tendacare International (UK) Ltd
Nature of business: Business Consultancy, Trade classification: 47, Date of appointment of joint administrative receivers: 24 January 1990.
Name of person appointing the joint administrative receivers:
National Westminster Bank Plc
John Frederick Powell and Ian Napier Carruthers Joint Administrative Receivers (Office holder nos 349 and 814) of Cork Gully 45 Temple Row Birmingham. B25JT

CLUBS

JOTTER PAD

CROSSWORD

No.7,163 Set by DANTE



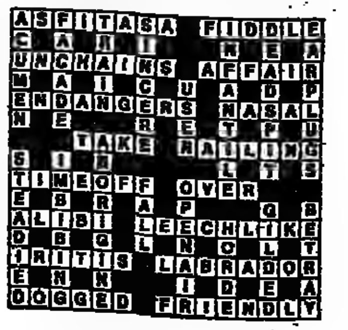
ACROSS

1 Rewarding time for workers (3-3)
4 It may take an age to get a sun-tan (6)
8 There's no end to such things (7)
9 Lack of numbers means I am included in a pay cut, perhaps (7)
11 One taking part in an emergency (10)
12 Wild swan seen in a field of barley (4)
13 African known for his pride, as I am perhaps (5)
14 See lambs rounded up and put together (8)
16 Point on missile launched from submarine grating (8)
18 See 6 down
20 Parliamentary official who cracks (4)
21 Bury was his objective (4,6)
23 Bloomer – might be a big one (7)
24 Inn and cafe making money (7)
25 Not the only child in the ward (6)
26 Fifteen a side makes this game equal for a start (6)

DOWN

1 Take unfair advantage of don (3,2)
2 Deliveries that are new for Americans (7)
3 A new maid's providing water (5,4)
5 Immediately available for cash (6)
6 and 18 across It entitles the motorist to a reduced cover-charge (2,5,5)
7 Involves ten different points of view (9)
10 Young officer is awkward but learns (9)
13 So good nobody will play you? (9)
15 Will it have a low tar content? (9)
17 Wicked rascal promises to pay (7)
19 A fisherman's actual profit? (3,4)
21 Find me in a disturbed state (5)
22 Minor injuries – in fact they sound nothing (5)

Solution to Puzzle No.7,162



WORLD STOCK MARKETS

AUSTRIA

February 12	Sch	+ or −
Austrian Airlines	4,260	−30
Creditanstalt	6,550	
Goesser	7,360	+10
Interunfall	25,850	−150
Jungbunzlauer	18,590	−90
Laenderbank	1,020	
OeMV	10,920	
Perlmooser	2,270	
Reininghaus	2,995	−35
Semperit	198	−6
Steyr-Daimler	173	
Veitscher Mag	1,198	−32
Verbund	439	−3

BELGIUM/LUXEMBOURG

February 12	Frs.	+ or −
Arbed	4,300	−210
B B.L.	3,240	
Bank Intl. a Lux	15,600	
Banque Gnl. De. Lux	14,800	
Banque Nat Belg	36,475	+150
Bekaert B	14,850	−375
Ciment CBR	7,650	−200
Cobepa	5,530	−30
Do. AFV 1	5,450	−140
Cockerill	184	−4
Delruyt	21,875	−400
Delhaize	5,200	−90
EBES	4,250	+5
Do. AFV 1	4,130	−5
Fabrique Nat	413	+5
GIB Group	1,288	−12
Do. AFV	1,250	−20
GBL (BruxL)	4,335	−25
Do. AFV 1	4,330	−25
Do. AFV 2	4,325	−25
Gechem	800	−24
Do. AFV	808	+44
Generale Bank	5,050	−60
Do. AFV 1	5,230	−70
Do. AFV 2	5,650	−150
Gevaert	8,220	+20
Intercom	3,370	−20
Do. AFV 1	3,250	
[illegible]	[illegible]	[illegible]

FRANCE (continued)

February 12	Frs.	+ or −
Auxiliaire d'Ent	982	−16
BIC	688	−6
BSN	703	−10
Bancaire Cie	564	
BNP (Cert.Inv.)	412.8	−18.2
Beghin-Say	769	−21
Do Certs	535	−10
Bongrain	2,979	−51
Bouygues	555	−16
CGIP	1,308	−20
CMB Packaging	198.1	−2.5
Carrefour	3,285	−50
Casino	166	−4
Cetelem	516	−13
Chargeurs	1,175	−39
Ciments Fr.	1,380	−30
Club Mediterranee	702	−4
Cofimeg	416	−1
Coflfi	391	−7
CGE	555	−15
Coparex	356	
Cred Foncier Fr	1,265	−15
Credit National	1,330	−38
Damart	4,050	−5
Docks de France	4,628	−101
Dollfus-Mieg	598	−13
Dumez S.A.	823	−4
Eaux (Cie Gen)	2,150	−16
Ecco	510	−10
Electrolux're	955	−15
Elf-Aquitaine	600	−7
Do. Certs	445	−5
Epeda-Bertrand	1,305	−15
Essilor	2,690	−109
Eternit (Fin.)	1,900	−80
Eurafrance	2,345	−73
Eurocom	1,904	+23
Euro Disneyland	99	−6
Euromarche	4,590	−66
Exor	1,700	−135
Finextel	198	−4
Fonciere Lyon	851	−2
Fromageries	2,305	−35
GTM-Entrepose	1,327	−5
Gaumont (Soc N)	1,001	−29
Gen Geophysique	1,294	−6
[illegible]	[illegible]	[illegible]

CANADA

TORONTO

2pm prices February 12

Sales	Stock	High	Low	Close	Chng
50	C Realy	[illegible]	[illegible]	[illegible]	
43845	CTire A f	$24	23½	23½	
7560	CUtil A f	$20⅛	19⅞	19⅞	−⅛
840	CUtil B	$20⅛	20	20⅛	
5358	Canamax o	320	315	315	
3900	Cantor	$27⅞	27½	27⅞	+⅜
3700	Cara	$16¾	16⅝	16⅝	−⅛
4200	Cara A f	$16⅝	16½	16½	
4052	Carena	$23⅝	23½	23⅝	+⅛
400	Cascades	455	455	455	−5
200	Celanese	$27⅞	27⅞	27⅞	+⅛
3682	Cen Capital	$11	10⅞	11	+⅛
13800	CenCap A	$9½	9¼	9⅛	−⅛
500	GtW Lifeco	$18⅛	18⅛	18⅛	+⅛
500	Greyhnd	$31½	31½	31½	+½
94679	Gulf Res	$16⅞	16½	16¾	−⅛
5900	Haley	455	455	455	+25
1500	Hawker	$25⅛	25⅛	25⅛	+⅛
571	Hayes D	$12⅞	12⅞	12⅞	−⅛
79590	Hees Intl	$27⅜	27⅛	27⅛	−⅜
64400	Hemlo	$19⅛	19	19	−⅛
269175	Horsham f	$12	11⅞	12	
5803	H Bay Co	$30	29¾	29¾	−⅛
14230	Imasco L	$35	34⅞	34¾	−⅜
37108	Imp Oil A	$64½	63⅞	64	−⅜
40663	Inco	$27⅝	27	27⅛	−⅜

INDICES

NEW YORK

DOW JONES	Feb 12	Feb 9	Feb 8	Feb 7	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2619.14	2648.20	2644.37	2640.09	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.32	91.27	90.98	90.68	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1075.75	1088.19	1084.99	1082.86	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.45	223.91	222.90	223.59	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2652.48 (2666.67) Low 2610.59 (2628.15)

STANDARD AND POOR'S

	Feb 12	Feb 9	Feb 8	Feb 7	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	330.08	333.62	332.96	333.75	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	381.28	385.57	384.99	385.39	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.74	27.95	27.91	28.12	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	182.55	184.39	184.09	184.31	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	358.87	360.79	357.69	356.35	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	426.38	428.84	427.32	426.79	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 9	Feb 2	Jan 26	year ago (approx.)
Dow Industrial Div. Yield	4.09	4.16	4.20	3.63

	Feb 7	Jan 31	Jan 24	year ago (approx.)
S & P Industrial div. yield	3.09	3.13	3.11	3.04
S & P Indl. P/E ratio	14.25	14.04	14.09	13.85

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Panhandle (ed)	2,137,700	28⅞	−⅛
Chase Manhattan	2,012,400	27⅛	−⅛
SW Pub Svc	1,527,100	29⅛	−⅛
Citicorp	1,352,600	23⅛	+⅛
Fannie Mae	1,305,500	33⅛	−1
Gen Electric	1,272,900	62⅛	−1
Gt Nthn Nekoosa	1,272,800	61½	+⅛
Varity Corp	1,270,900	3⅛	−⅛
Bank of N Eng	1,248,000	4⅛	−⅛
Gas III PS (ed)	1,233,100	22⅛	−⅛

TRADING ACTIVITY

† Volume (Millions)	Feb 12	Feb 9	Feb 8
New York	119.131	147.762	176.240
Amex	8.218	10.060	13.730
NASDAQ	(u)	125.327	140.027
Issues Traded	1,953	1,954	1,956
Rises	465	819	769
Falls	1,049	660	695
Unchanged	439	475	492
New Highs	15	22	40
New Lows	77	51	39

CANADA

TORONTO	Feb 12	Feb 9	Feb 8	Feb 7	1989/90 HIGH	1989/90 LOW
Metals & Minerals	2933.48	2978.93	3000.08	3040.07	3919.2 (1/9/89)	2933.48 (12/2/90)
Composite	3766.27	3777.78	3783.33	3779.23	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1899.14	1909.96	1907.52	1906.47	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

4pm prices February 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
1	5-32	Qantel				387	⅜	¼	⅜	+ ⅛
69⅞	48	QuakrO	1.40	2.9	19	1387	48⅝	d47⅞	47⅞	– ⅝
19¼	12¼	QuakSC	.80	6.5	28	149	12½	12⅜	12⅜	– ⅛
19	17½	Quanex	.40	2.9	8	22	13⅝	13½	13⅝	+ ⅛
31⅛	22⅝	Quanx pf2.28		9.2		3	24⅝	24½	24⅝	
59⅞	20¼	Quantum			2	746	22⅞	22⅜	22⅝	
13½	11	QstVl	1.20a	9.2		205	13⅛	12⅞	13	
14⅝	9⅞	QstVC				350	13⅝	13¼	13⅜	– ⅛
39⅞	31½	Questar	1.92	5.1	15	29	37⅞	37⅝	37⅝	+ ⅛
16⅜	11⅞	QkReily	.28a	2.3	11	154	12⅛	12⅛	12⅛	
		– R–R–R –								
11⅞	9⅞	RAC	in1.20a	11.		177	10⅝	10½	10⅝	– ⅛
5⅝	1⅞	RAC	.45e	14.	313	136	3⅛	3	3⅛	
10⅜	6⅞	RLI Cp	.40	4.0	7	107	u10⅝	10	10⅛	
19⅝	11⅛	ROC Fd.36e		2.4		506	15⅛	15⅜	15⅜	– ⅛
8⅛	6⅛	RPC			16	80	6⅝	6½	6½	
6½	5⅞	RPS	.81e	14.	8	165	6	5⅞	5⅞	
65⅞	43⅞	Racal	.25e	.4	43	467	64⅞	63⅝	64½	+1
5⅝	2½	Radice n				4	3	3	3	+ ⅛
101½	77¼	RalsPur	1.85	2.3	16	395	81½	80⅝	80⅝	–1⅛
6⅞	5⅛	RangrO			23	254	6⅛	6⅛	6⅛	– ⅛
39¼	25¾	Raycm	.32	1.1	30	649	29¼	28⅝	28⅝	– ½
19½	13¼	RJamF	.24	1.5	8	52	16	16	16	– ⅛
21	19	Raymr	2.80	14.	8	82	20⅞	20⅛	20½	+ ⅛
3⅞	½	vjRaytc				12	2⅛	2⅛	2⅛	– ⅛
65	60⅞	Raythn	2.20	3.7	8	2901	60⅞	d60	60½	– ⅞
5	15-16	RdgB n				726	3⅛	2⅞	3	
17	14⅛	REIT	1.36	9.7	10	73	14⅛	14⅛	14⅛	– ⅛
16⅛	13½	RltRef	1.72	12.	8	12	14½	14½	14½	
12⅝	8½	RecnEq				85	8⅝	8⅛	8⅝	+ ⅛
20	11⅛	Reebok	.30	1.9	11	1748	16⅛	16⅛	16⅛	– ⅛
16	8⅝	Reece	.16e	1.7	44	14	8⅝	8⅝	8⅝	
[illegible]										
		– X–Y–Z –								
58	52½	Xerox	3	5.5	8	686	54⅞	53½	53⅝	– ⅝
48	44½	Xerox pf4.13		8.7		1	47⅛	47⅛	47⅛	
41⅞	33½	XTRA	.72	2.9	30	30	34⅝	34⅛	34⅛	– ⅛
32⅝	21⅛	XTRA pf1.94		9.0		10	21½	21½	21½	
4⅜	2½	Zapata				301	3⅛	3	3⅛	+ ⅛
21⅝	8⅞	ZenithE				1251	9⅛	9	9	– ⅛
21⅝	15⅞	ZenNl	.88	5.4	8	685	16⅝	d16⅛	16⅛	–1⅛
9⅞	8⅛	Zenix	1.08	13.		236	8⅞	8⅝	8⅝	
19½	14½	Zero s	.40	2.9	13	116	14½	d14	14	– ½
44⅛	25⅝	Zurn	.76	2.0	17	227	38⅛	37⅝	37⅝	
12⅝	10	Zweig	1.21e	10.		238	11⅝	11⅝	11⅝	
10	8⅝	ZweigTl	.96	9.9		907	9⅝	9⅝	9⅝	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-when distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices February 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
		– R–R –					
RSW		11	67	5⅞	5⅝	5⅝	– ⅛
ReCap		11	8	12⅝	12⅛	12⅝	+ ⅛
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices February 12

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Wolohn	.20b	9 2	15⅝	15⅛	15⅛	
WvEx h		711	12⅝	12	12½	+ ⅛
Worthg	.56	17 454	22½	22	22	– ⅝
Wyman	.60	58	13⅛	13	13	– ⅛
		– X–Y–Z –				
XL Dta s		4 1429	7⅞	6½	7	– ⅛
XOMA		1349	20⅞	20	20⅝	
Xicor		144 289	3	2⅞	2⅞	–1-16
YanEnS	.78e	13 16	21½	21	21	– ⅛
YelowF	.76	35 161	23½	23¼	23⅜	
YorkFn		19 98	10⅛	9⅞	10⅛	
ZionUt	1.44	12 10	27⅛	26⅞	27⅛	+ ⅛

Continued on Page

AMERICA

Programme selling and Drexel worries hit Dow

Wall Street

FUTURES-RELATED programme selling coupled with concerns about the health of Drexel Burnham Lambert pushed US equities broadly lower yesterday. However, holidays in the US and Japan kept many players away from the market, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed at 2,619.14, down 29.06 compared with a gain of 3.83 to 2648.20 on Friday. On the big board, declines outpaced advances by 1,046 to 465.

Volume was moderate on the New York Stock Exchange, with only 118.4m shares changing hands. The fairly light volume heightened the impact of the futures-related selling.

Two rounds of programme-selling at mid-morning followed speculation that Drexel Burnham Lambert was facing a liquidity crisis. Although Drexel later denied the rumours, the company said it was looking for a large investor or a merger partner.

The Drexel news triggered a decline in the debt market, where the Treasury's bellwether 30-year issue was off 1⅛ points at 100⅜, yielding 8.43 per cent in late trading.

IBM, which led last week's stock market rally, fell $1⅛ to $101⅞. Among other technology stocks which rallied last week, Sun Microsystems advanced $⅛ to 22⅛ in over-the-counter trading. Oracle Systems rose $⅛ to $22⅝ while Apple Computer was down $¼ at $34. MCI Communications lost $⅝ to $31⅞ in heavy trading.

A number of insurance firms lost ground yesterday, amid fears that junk bond values would plummet. Ohio Casualty, whose junk bond portfolio totals about 481 per cent of its life insurance unit's capital, fell $3⅞ to $39⅛. Safeco, whose junk bond holdings total about 319 per cent of its life insurance business's capital, dropped $1⅞ to $38.

General Motors gained $⅝ to $43⅝. The auto manufacturer is expected to report its fourth-quarter results this week. On Friday, GM said worldwide sales last year were more than $125bn. The company did not estimate net income.

Shares in Ford rose to $44, up $⅛, while Chrysler lost $⅝ to $16⅝.

Among other blue chip issues, Exxon fell $1⅛ to $47⅞, Aluminum Company of America lost $1⅛ at $61⅛, United Technologies slipped $⅛ to $50, Primerica was off $⅝ at $26⅛ and McDonald's fell $⅝ to $32⅛.

Hilton Hotels jumped $2⅞ to $64⅞ on reports that a group of former Marriott officials, including two leaders of last year's buy-out of Northwest Airlines, is trying to arrange financing for an all-cash takeover offer for the company.

ASA, which invests in South African stocks, fell $4⅛ to $64⅞ in the wake of falling prices for South African issues after Mr Nelson Mandela, leader of the African National Congress, who was released at the weekend, reaffirmed the ANC's support for nationalisation of private industry.

A number of precious-metals issues moved higher in spite of the sharp drop in ASA. Hecla Mining rose $⅝ to $15⅝, Homestake Mining gained $⅛ to $23, American Barrick Resources improved $⅝ to $19 and Battle Mountain Gold was up $⅛ to $17⅛.

Great Northern Nekoosa added $⅛ to $61⅞ in active trading. Regulators in Maine said they would focus on one count only in an antitrust complaint which stems from Georgia-Pacific's $63-a-share hostile takeover bid for the company.

Tonka, a big US toy company, gained $⅝ to $11⅝ in spite of lower fourth quarter earnings. Tonka said it expects to post profits for 1990, although the company expects a first-quarter loss on lower revenues.

Monarch Capital gained $⅝ to $13⅝ after disclosing that it will end its real estate and venture capital operations, resulting in a fourth-quarter charge of $39.3m.

In over-the-counter trading, Alliant Computer, which is expected to report earnings shortly, added $⅛ to $7⅛. The company recently said it expects to earn $1m or 7 cents a share in the latest quarter compared with a loss of $2.75 a year earlier.

Canada

TORONTO followed Wall Street's example and closed lower in slow trading. The composite index shed 11.5 to 3,766.27 with declines leading advances by 390 to 268. Volume was 23m shares worth C$224.4m, compared with 26.7m shares worth C$272.7m on Friday.

Mining issues fell 1.53 per cent as Alcan slipped C$⅛ to C$23¼ and Inco fell C$⅝ to C$27. Seven of the 14 subgroups were lower, including energy issues, consumer and industrial products shares and banking stocks. Gold issues were higher.

EUROPE

Bourses depressed by a catalogue of woes

A GLOOMY day for the Continent saw some early-closing markets come off their lows, while Wall Street's morning decline depressed other bourses further, *writes Our Markets Staff.*

PARIS focused on the mineral water company, Perrier, and the falling West German bond market, both of which sent French share prices lower. Wall Street's early decline added to the mood. The CAC 40 index lost 30.85 points, or 1.6 per cent, to 1,867.40.

Bourse turnover of about FFr2.5bn was swelled by trading in Perrier, which dropped FFr202, or 11.9 per cent, to FFr1,490 on 252,050 shares traded. This followed the weekend's news that the company was withdrawing North American stocks because some bottles had been found to be contaminated with benzene, a carcinogenic chemical. A flurry of sell orders caused the issue's temporary suspension from morning trading.

Exor, which has a stake of about 32 per cent in Perrier, fell FFr135, or 7.4 per cent, to FFr1,700.

FRANKFURT was tested, and initially found wanting, by the bank holiday in Tokyo yesterday. The apparent absence of Japanese investors and continued declines on the domestic bond market took stocks down to a midsession low, where the FAZ index dropped 19.76 to 771.28 and the DAX was running 58.25, or 3.1 per cent, lower at 1,827.64.

However, buy orders came in later, in some cases not finding sellers, and the DAX rallied to close 25.50, or 1.4 per cent, lower at 1,860.39. The correction of the past few days has brought it down 5 per cent from the record, intraday high of 1,957.74 it reached a week ago; it is still 29 per cent higher than it was on November 8, just before East Germany threw open its borders to the West.

Volume eased a little, from DM9.5bn to DM9.1bn. Price declines were spread through all sectors. Among the international blue chips, Deutsche Bank fell DM15.20 to DM805.80 and Siemens fell DM10.50 to DM762.

FT- Actuaries

World Indices

Metallgesellschaft moved against the trend, rising DM20 to DM658; buy orders for the stock met an empty market, said dealers.

MILAN fell as bourse professionals put together a long list of domestic woes: Wednesday's end of the February trading account, said to engender selling; and Thursday's start to the March account, with nearly L3,000bn ($2.4bn) of rights issues due to be launched, were just part of the story.

Yesterday's 5.88 fall in the Comit index to 665.94 was also blamed on mutual funds, selling to create liquidity; the uncertain political situation in Rome, where bourse reform legislation is in front of the Italian parliament; and the impending capital gains tax.

AMSTERDAM continued to suffer from interest rate worries as the domestic bond market tumbled, and the CBS tendency index fell 1.9 points, or 1.7 per cent, to 108.5.

At the close, only 17 issues were up, 184 were down and 55 were unchanged. Heineken fell Fl 3.60 to Fl107.20, on job cuts in the Netherlands in response to a decreasing market share.

ZURICH eased in very thin trading, worried about Frankfurt and domestic interest rates. The Crédit Suisse index fell 3.7 to 611.4.

MADRID declined amid fears of higher inflation. The general index eased 1.05 to 285.47.

BRUSSELS again drifted downward in moderate volume as investors remained apprehensive about the economic development of Eastern Europe and the outlook for interest rates. The cash market index dropped 84.01 to 6,103.82.

OSLO was *encouraged* by a relaxation of banking restrictions and by lower Norwegian interest rates, but profit-taking tipped the all-share index 0.83 lower to 605.41 in moderate trading worth NKr396.8m.

At the weekend, the Government approved a merger of Bergen Bank, up NKr5 at NKr195, and Den Norske Creditbank, NKr2 higher at NKr97.

STOCKHOLM fell in thin trade with investors worried about political and economic uncertainties. Opposition parties have said they will reject a two-year ban on strikes, proposed as part of a Government austerity package, in tomorrow's parliamentary vote.

The Affärsvärlden General index fell 24.60 to 1,212.3. Trading remained thin because of the banking pay dispute, with turnover of SKr74m. AGA, the industrial gas group, gained SKr9 to SKr240 on forecasting a 20 per cent profits rise.

Top performers score with political points

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+7.02	+16.32	+134.14	+35.38	+29.95	+36.43
Belgium	−2.34	−8.00	−3.213	−6.83	−9.87	−5.37
Denmark	+0.62	+1.78	+31.76	+3.55	+0.77	+5.80
Finland	+0.80	+5.97	−5.88	+10.33	−7.54	+12.91
France	−1.03	−3.04	+13.39	−4.82	−7.87	−3.28
W. Germany	−0.58	+2.49	+38.51	+6.26	+2.22	+7.33
Ireland	−1.27	+0.10	+28.74	+5.98	+2.80	+7.93
Italy	−2.24	−5.52	+11.35	−3.93	−6.87	−2.22
Netherlands	−1.91	−1.12	+9.41	−4.98	−8.42	−3.84
Norway	+4.50	+9.80	+43.49	+16.55	+13.37	+19.03
Spain	+0.71	−2.30	+0.16	−4.62	−8.48	−3.92
Sweden	−1.53	−2.99	+25.25	+1.12	−2.44	+2.44
Switzerland	+0.92	−1.23	+19.50	−0.28	−2.10	+2.79
UK	−1.62	−2.28	+9.751	−4.17	−4.17	+0.62
EUROPE	−1.11	−1.58	+15.14	−1.86	−3.84	+0.96
Australia	−2.50	−3.12	+10.92	−1.00	−10.35	−5.89
Hong Kong	+6.28	+4.27	−9.93	+1.93	−2.99	+1.86
Japan	−1.44	−2.58	+5.70	−6.30	−11.59	−7.18
Malaysia	+2.97	+5.34	+49.64	+5.36	+0.12	+5.12
New Zealand	−2.15	−4.46	−6.00	−4.75	−9.31	−4.79
Singapore	+0.74	+4.02	+31.43	+8.09	+4.97	+10.20
Canada	+1.98	−1.99	+6.91	−3.72	−11.13	−6.70
USA	+0.91	−1.02	+13.28	−5.61	−10.10	−5.61
Mexico	−0.31	+13.80	+168.78	+14.35	+7.39	+12.75
South Africa	+4.56	+4.17	+56.00	+14.46	+16.75	+22.56
WORLD INDEX	−0.50	−1.71	+10.41	−4.70	−9.06	−4.52

† Based on February 9 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

By Jacqueline Moore

POLITICS drove several of the world's stock markets last week, with South Africa advancing in the wake of political reform proposals, Hong Kong taking an optimistic view of Chinese moves, and Austria benefiting once again from Eastern European prospects.

In several, however, bond market action was the prime driving force; West Germany, for example, eased as domestic bonds fell, while the US rose on the success of Treasury bond auctions.

South Africa gained 4.6 per cent last week on the FT-Actuaries World Indices, following President F W de Klerk's speech the previous Friday and before Mr Nelson Mandela's release on Sunday. Enthusiastic foreign buyers pushed the Johannesburg Stock Exchange Industrial index to record highs on Monday and Tuesday.

Confidence in Hong Kong was also high, bolstered by optimism about a Communist Chinese conference on future policy towards special economic zones, which was addressed by the Prime Minister Li Peng. The colony's 6.3 per cent advance last week pulled it back into positive territory for the year to date, with a gain of 1.9 per cent in local currency terms.

The overall picture in the Asia Pacific region, however, was rather mixed. While Malaysia and Singapore also made healthy gains, with their stock market indices hitting records in active trading, Japan, New Zealand and Australia all retreated.

Japan was suffering from pre-election hesitancy, as volume dwindled to 364m shares on Friday – its lowest level for more than five months.

Worries about the high level of company debt consumed Australia, in the wake of the appointment of a provisional liquidator at Westmex, the investment business, on Wednesday. Australia made the worst showing of the week, losing 2.5 per cent, and New Zealand followed its neighbour down, falling 2.2 per cent in thin turnover.

Markets also had a varied week in Europe, ranging from a 7 per cent gain in Austria to a 2.3 per cent fall in Belgium. The Continent's big guns, however, were mostly lower, with the UK falling 1.6 per cent, France 1 per cent and West Germany 0.6 per cent, dragging the Europe index down 1.1 per cent as a result.

Austria built on its previous week's gains, taking its two-week rise to 17.6 per cent. Events in Eastern Europe have improved Austrian trading prospects, lifting the market 35 per cent this year in local currency terms and making it the world's best performer so far. The number two market, with a gain of 16.6 per cent in 1990, is Norway, which was also Europe's second best performer last week. It was buoyed by higher crude oil prices and government measures designed to open up financial markets further.

The US FT-A index picked up 0.9 per cent on the week. This rise was overshadowed, however, by a 2 per cent gain in Canada, which shook off its recent depression as buyers defied another interest rate increase and went hunting for bargains.

SOUTH AFRICA

Gold shares plunge in Johannesburg

GOLD stocks in Johannesburg took a sharp fall yesterday after Sunday's comments by Mr Nelson Mandela, the released African National Congress leader.

Foreign and local investors sold heavily after Mr Mandela reaffirmed his support for the ANC policy of nationalising private assets such as mines.

The rest of the market also fell, although not as far as the gold sector, amid nervousness about swings in the financial rand, the investment currency, which opened stronger before falling sharply.

The JSE Gold index fell 81 points, or 3.7 per cent, to 2,091 and the Industrial index lost 28 to 3,150.

Among mining issues, gold stock Randfontein shed R2.50 to R30, mining financial Anglo American fell R4.25 to R135, diamond stock De Beers dropped 85 cents to R69.25 and platinum producer Impala eased R1 to R75.

ASIA PACIFIC

Region struggles to find inspiration

WITH WALL Street flat on Friday, and Tokyo closed for a day's holiday, Asia Pacific markets looked a little short of inspiration yesterday, *writes Our Markets Staff.*

TAIWAN, in fact, looked worse than it was. The weighted index, which gained 77.87 to a record high of 12,495.34 on Saturday, lost 70.81 to finish at *12,424.53*; but this reflected selling of the heavily weighted banking stocks after selling pressure on four leading mutual funds.

Trading volume rose to about 1.4bn shares while turnover climbed from NT$169bn to NT$198bn, beating the January 23 record of NT$194.5bn. Rises led falls by two to one at the close.

AUSTRALIA, depressed last week, fell again on corporate debt worries, and the All Ordinaries index closed *7.2* lower at 1,623.4 after a drop of 18.2 last Friday. Turnover fell to a quiet 78m shares and A$159m, from 115m and A$204m.

News Corp fell sharply again, closing 45 cents lower at A$10.05 in turnover of 2.2m shares after an intraday low of A$9.90. The international media concern, hit by pessimistic profit forecasts and concern over the level of its debt, is now standing nearly a third below its early January level.

NEW ZEALAND also continued last week's slide as the Barclays index fell 35.04, or 1.8 per cent, to 1,869.98.

The index has now fallen by 4.9 per cent in the last four trading days, and is at its lowest level since April 1989. Turnover was again minimal, 5.1m shares and NZ$8.5m against 6.9m and NZ$17.8m on Friday.

HONG KONG was widely mixed as the market continued to consolidate after the hectic gains of last week. The Hang Seng index, which rose more than 150 points or 5.75 per cent last week, added only 0.76 to 2,894.66.

Turnover shrivelled to HK$859m from Friday's HK$1.5bn, falling below the HK$1bn mark for the first time in four sessions.

SINGAPORE firmed in low turnover, with selective buying of blue chips and finance stocks helping the Straits Times Industrial index to close 12.25 better at a record high of 1,593.77. Volume fell to 142m shares worth S$266m from 153m and S$282m on Friday.

Small investors dominated the market with activity focused mainly on Malaysian OTC stocks. Promet saw more than 10m units traded. It rose 5 cents to S$1.05.

BOMBAY recovered from a two-week retreat to close higher on hectic short-covering. The Bombay Stock Exchange index rose 13.97 to 673.27.

Expectations of institutional buying surfaced after India's leading stock exchanges last week urged the Government to allow state-owned investment institutions to support the market in critical times.

The market had been steadily declining in response to separatist violence in Kashmir.

KUALA LUMPUR staged a recovery after Friday's weakness, to close slightly higher across the board amid short-covering and bargain-hunting activity. The composite index added 3.27 to 609.06.

SEOUL fell for the third consecutive day, the composite index closing at 867.05, down 6.54 from Saturday, and 15.42 over the three-day period. Trading was weak as 9.1m shares valued at Won 181bn changed hands.

The decline reflected reports that yesterday's meeting between the ruling Democratic Liberal Party and government ministers had produced no measures to boost South Korea's slow economy.

MANILA had a mild rally, the composite index rising 6.88 to 1,047.94 in moderate trading in spite of rumours of another coup attempt against the Government of President Corazon Aquino.

JAKARTA saw an inflow of foreign investment capital, and although its stock index fell by 0.99 to 457.85, turnover rose from 1.4m to 1.7m shares.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 12 1990						FRIDAY FEBRUARY 9 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	142.41	+0.0	124.49	125.69	−0.4	5.37	142.47	124.77	128.15	160.41	128.28	148.40
Austria (19)	248.58	+0.0	217.30	215.91	−0.3	1.23	248.58	217.69	216.51	248.58	92.84	95.16
Belgium (61)	145.07	−0.9	126.81	124.67	−1.5	4.47	146.37	128.18	126.52	160.02	125.58	134.14
Canada (120)	140.67	−0.9	122.97	122.49	−0.3	3.34	141.99	124.34	122.91	154.17	124.67	133.63
Denmark (36)	253.68	−1.0	221.76	222.54	−0.9	1.44	256.27	224.43	224.47	260.82	165.35	156.66
Finland (26)	150.61	+0.1	131.66	124.69	−0.1	2.36	150.51	131.80	124.77	159.16	118.63	146.73
France (125)	148.61	−1.5	129.91	132.41	−1.7	2.84	150.92	132.17	134.76	157.97	112.57	116.35
West Germany (96)	130.09	−2.0	113.72	112.91	−2.4	1.88	132.79	116.28	115.63	137.01	79.56	85.17
Hong Kong (48)	119.07	−0.2	104.09	119.41	−0.2	4.80	119.31	104.48	119.63	140.33	86.41	131.60
Ireland (17)	196.37	+0.2	171.66	174.29	−0.1	2.40	195.94	171.58	174.51	198.57	125.00	136.45
Italy (96)	*95.74*	*−0.5*	*83.69*	*88.80*	*−0.9*	*2.58*	*96.24*	*84.28*	*89.57*	*102.11*	*74.97*	*78.78*
Japan (455)	184.44	+0.7	161.23	168.12	+0.0	0.48	183.23	160.46	168.12	200.11	164.22	195.27
Malaysia (36)	241.45	+0.3	211.06	251.49	+0.3	2.11	240.77	210.85	250.79	243.87	143.35	158.34
Mexico (13)	369.48	+0.7	322.98	1102.02	+0.7	0.47	366.97	321.37	1094.55	371.93	153.32	162.45
Netherland (43)	136.98	−1.0	119.74	117.69	−1.3	4.57	138.38	121.16	119.25	145.66	110.63	111.81
New Zealand (18)	67.39	−1.8	58.91	60.21	−1.9	5.84	68.64	60.11	61.38	88.18	62.64	74.32
Norway (24)	237.37	−0.2	207.50	207.73	−0.4	1.38	237.88	208.32	208.50	241.53	139.92	158.32
Singapore (26)	197.20	+1.0	172.39	169.30	+1.0	1.72	195.29	171.02	167.71	199.38	124.57	142.05
South Africa (60)	219.77	−8.8	192.11	170.05	−2.3	3.28	240.90	210.96	174.06	251.39	115.35	125.82
Spain (43)	156.71	+0.0	136.99	128.39	−0.4	4.09	156.69	137.22	128.92	169.75	143.14	145.53
Sweden (35)	192.40	−2.2	168.19	174.18	−2.2	2.02	196.73	172.28	178.02	206.95	136.45	149.81
Switzerland (62)	96.01	−0.7	83.93	89.04	−0.7	2.01	96.69	84.67	89.70	99.12	67.81	75.85
United Kingdom (306)	158.27	−0.9	138.35	138.35	−1.1	4.57	159.68	139.83	139.83	164.31	133.28	148.50
USA (542)	133.67	−1.0	116.85	133.67	−1.0	3.55	135.02	118.24	135.02	146.29	112.13	119.05
Europe (989)	142.14	−1.1	124.26	124.26	−1.3	3.45	143.74	125.88	125.96	146.66	112.63	118.23
Nordic (121)	195.76	−1.4	171.12	167.28	−1.3	1.73	198.51	173.84	169.53	201.89	137.95	145.58
Pacific Basin (667)	180.43	+0.6	157.72	164.59	+0.0	0.73	179.32	157.04	164.62	194.72	160.44	190.63
Euro−Pacific (1656)	165.32	+0.0	144.51	146.52	−0.5	1.66	165.31	144.76	149.24	174.16	141.56	161.65
North America (662)	133.99	−1.0	117.13	132.97	−1.0	3.54	135.34	118.52	134.27	146.66	112.79	119.83
Europe Ex. UK (683)	130.96	−1.3	114.48	115.48	−1.5	2.70	132.63	116.15	117.28	135.73	96.30	99.57
Pacific Ex. Japan (212)	132.22	−0.1	115.58	120.37	−0.3	4.76	132.33	115.88	120.68	140.05	111.93	135.02
World Ex. US (1849)	165.11	−0.1	144.33	148.15	−0.5	1.74	165.34	144.79	148.90	173.77	141.49	160.32
World Ex. UK (2085)	152.36	−0.4	133.19	143.75	−0.6	2.06	152.91	133.90	144.64	162.00	136.98	144.05
World Ex. So. Af. (2331)	152.46	−0.3	133.28	143.01	−0.6	2.29	152.96	133.95	143.93	161.84	136.67	144.55
World Ex. Japan (1936)	138.12	−1.1	120.74	130.42	−1.1	3.54	139.69	122.33	131.87	145.52	114.51	119.98
The World Index (2391)	152.87	−0.4	133.63	143.20	−0.7	2.29	153.49	134.42	144.15	162.05	136.68	144.43

Prices for Finland & Sweden were not fully updated following problems at the exchanges.

Japanese market closed February 12.